Foreword to the Accounts 2010/11

Introduction

The accounts presented in the following pages are the first to be prepared under International Financial Reporting Standards (IFRS). This has led to some significant presentational changes to previous years but the underlying aim is unchanged: to account clearly and objectively for the way the County Council has spent the public money entrusted to it. This is done via the four core accounting statements and supporting disclosure notes. The statements are:

Movement in Reserves Statement	Sets out the change in the authority's "net worth" over the year
Balance Sheet	Shows the value of the County's assets and liabilities at the year end, and how they are financed
Comprehensive Income & Expenditure Statement	Shows all the gains and losses experienced by the County over the year
Cash Flow Statement	Summarises movements of cash into and out of the authority over the year

Spending in 2010/11

The Comprehensive Income & Expenditure Statement (CIES) shows a surplus on provision of services of £162 million. This is confusing because it includes both cash transactions and those based purely on accounting concepts (such as depreciation), which are not cash costs to a local authority.

A more helpful measure of financial performance is the change in the value of the General Fund (the County's unearmarked cash reserve), because this demonstrates whether the County has spent more or less than the council tax it raised during the year. This is accounted for in the Movement in Reserves Statement (MIRS) and shows an increase in the General Fund of £0.587m.

This is the amount the County Council underspent its budget; it is the measure which has been monitored and reported to members throughout the year. This figure is calculated after setting aside £7.5m against redundancy costs expected in 2011/12 and the creation of a Social Enterprise Fund of £0.3m to support local communities. The position is summarised in Table 1 below:

Table 1 – spending compared with budget

	Performance against budget	Charge to 2011/12 severance costs	Over/ (-) underspend
	£000	£000	£000
Adults' Services	-1,036	1,059	23
Children and Young People	-1,300	182	-1,118
Environment and Economy	-587	552	-35
Deputy Leader and Highways & Transport	-292	292	0
Finance and Resources	-707	3,725	3,018
Leader	-215	0	-215
Public Protection	-1,051	332	-719
Portfolio Budgets Sub-Total	**-5,188**	**6,142**	**954**
Non-portfolio budgets	-3,261	1,397	-1,864
Total Net Spending	**-8,449**	**7,539**	**-910**
Creation of Social Enterprise Fund			**300**
Funding carried forward from 2010/11			**23**
Increase in General Fund balance			**587**

The General Fund balance at 31 March 2011 is £17.4m. This is 3.5% of the 2011/12 budget, which is considered to be a prudent buffer against the significant financial pressures affecting all public sector organisations. Below is reconciliation between the Comprehensive Income and Expenditure Statement and the General Fund Balance (outturn figure).

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GENERAL FUND BALANCE RECONCILIATION (see movement in reserves)	£'000
Comprehensive Income and Expenditure Statement	-161,515
Adjustments between Accounting basis and Funding Basis under Regulation	141,484
Transfer to and from Earmarked Reserves	19,444
TOTAL (taken to General Fund)	-587

Spending on the County Council's capital programme totalled £160m for the year. The year saw two major capital assets brought into use, the Regis School, valued at £39.9m, and Bolnore School (£3.8m). The Balance Sheet includes four new Academy schools under construction (£33.7m). These are funded by the Government and will become independent when they are opened. A number of existing schools are likely to seek Academy status in the next financial year, at which point the buildings will cease to be County Council assets.

The County Council did not undertake any external borrowing to finance capital spending during the year. Outstanding borrowing therefore remained unchanged at £371m from the Public Works Loans Board, with an average interest rate of 4.6%. This borrowing should been seen in the context of long-term assets valued at £1.9 billion on the Balance Sheet, representing a healthy and affordable level of "gearing".

Pensions Liability

Under International Accounting Standard 19, the County Council shows the total future costs of pension liabilities for both the Local Government Pension Scheme and Firefighters. This is a purely notional figure, as the County's budget is constructed on the basis of actual contributions payable. The IAS19 notional liability of £439m is offset by a matching notional reserve ensuring there is no impact on the local taxpayer (see Note 20).

During the year, the basis on which index-linked pensions for future pensioners will be calculated changed from the Retail Prices Index (RPI) to the Consumer Prices Index (CPI). Because CPI is consistently lower, this means that future pension increases will be lower than originally forecast, which reduces the ongoing liability for both the Local Government and Firefighters' schemes. This is reflected as a one-off saving in the Comprehensive Income & Expenditure Statement of £152m, shown as an Exceptional Item.

Balances and Reserves

The Balance Sheet distinguishes between "usable" and "unusable" reserves. The latter comprises only notional accounting entries which have no cash value. Usable reserves total £106.9m (see Note 23), summarised in Table 2 below. With the exception of the General Fund (£17.4m), the usable reserves are earmarked for specific purposes and are not available to support general spending.

Table 2 – Usable Reserves

Reserve	Purpose	Amount £m
Service Transformation	Investment in more effective ways of working including funding for redundancies	15.4
Capital Expenditure	Funding for future years' capital programmes	12.2
Insurance	Self-insurance fund	10.5
Waste Management	Investment fund to meet costs of 25-year contract	10.1
Street Lighting PFI	Spreading the costs of long-term contract	5.5
Interest Account	Funding for future increases in interest rates	4.0
Other earmarked reserves		4.3
Earmarked reserves		62.0
Schools balances		27.5
General Fund		17.4
Total Usable Reserves		106.9

The County has not written off any significant amounts this year and there has been a net revaluation gain, across all assets, of £13.8m.

Looking ahead

The national coalition Government has made clear its intent to reduce the UK's spending debt as rapidly as possible and this has inevitably affected all public sector funding, including local authorities. 2010/11 saw savings of £22m removed from service budgets; the medium term financial strategy for the next three years sees plans for another £79m, including £39m in 2011/12.

This presents considerable challenges, both to ensure savings plans are robust and do not lead to service overspending, and to make sufficient resources (both financial and human) available to deliver the changes. The 2011/12 makes available a base budget of £2.8m to fund the cost of change, with an additional £7.2m contributed to the Special Revenue Reserve.

Unused funding from 2010/11 of £7.5m has also been set aside against anticipated redundancy costs. While the revenue outlook for the foreseeable future remains bleak, active management of the County's balance sheet has ensured that a prudent level of reserves is set aside to deal with the situation.

Financing plans for the capital programme have been prepared against a clear desire to reduce the proportion of resources used to service debt. That is expressed as a planned reduction of £1m each year in the amount of core borrowing undertaken, and also means that external borrowing will be taken at the most advantageous rates over the optimum period. In practice, with interest rates at an historic low, this has meant borrowing £70m early in 2011/12 (intended to support the next three years' capital programme) to be repaid in ten years.

Staffing costs

Regulations introduced in 2009/10 require the pay and benefits of senior officers to be disclosed, and this is detailed in Note 38. Below is a summary table of this information and some wider contextual information on the County's pay bill.

Table 3 – Senior Officers' Remuneration 2010/11

Post title (as at 31 March 2011)	Post holder (Chief Executive's Board only)	Total remuneration (excluding pension contributions) £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Executive	Kieran Stigant	174,877	32,816	**207,693**
Chief Executive *	Mark Hammond	374,398	22,834	**397,232**
Executive Director Adults & Children *	John Dixon	286,380	19,386	**305,766**
Executive Director Customers & Change	Diane Ashby	126,431	25,160	**151,591**
Executive Director Finance & Performance	Richard Hornby	132,453	26,355	**158,808**
County Fire Officer		120,000	25,560	**145,560**
Director FSR Programme		49,531	9,857	**59,387**
Director of Adults' Services		105,157	20,895	**126,052**
Director of Business Change		95,916	18,486	**114,402**
Director of Children's Services		111,253	22,139	**133,392**
Director of Commercial Services		105,008	20,895	**125,903**
Director of Communities & Infrastructure		101,543	20,206	**121,748**
Director of Learning		104,000	20,696	**124,696**
Director of Resources & Performance		120,000	23,880	**143,880**
Director Operations Infrastructure *		184,968	113,532	**298,500**
Director Policy & Partnerships *		175,083	174,754	**349,837**
Head of Capital & Asset Management		95,591	19,016	**114,607**
Head of Communications & Marketing		76,006	15,124	**91,130**
Head of Customer Services		78,292	15,580	**93,872**
Head of Finance		72,693	14,466	**87,159**
Head of Human Resources		85,014	16,915	**101,929**
Head of Internal Audit		62,308	12,392	**74,700**
Head of Legal & Democratic Services		89,000	17,711	**106,711**
Head of Performance & Business Improvement		78,292	15,580	**93,872**
Head of Planning & Partnerships		80,919	14,427	**95,347**
Head of Resources & Performance		13,470	2,471	**15,941**
Head of Safeguarding		78,485	15,580	**94,066**
Head of Strategic Partnerships *		91,977	58,916	**150,894**

These figures include salary, employer's contributions to national insurance and pensions, and—where relevant—redundancy payments. Posts where redundancy payments were made in the year are marked with an asterisk.

The number of staff with remuneration above £50,000 was 744, an increase from 648 the previous year. This reflects a large number of redundancies, necessary to generate ongoing savings, which means that some staff with basic remuneration of under £50,000 were included once their redundancy payments were taken into account.

Total employee costs for 2010/11 (including salary, national insurance, pension and redundancy costs) were £602m.

Accounting policies

The implementation of International Financial Reporting Standards has meant a wholesale revision of the County Council's accounting policies. Note 1 to the accounting statements lays out in detail the changes necessary to move from "Generally Accepted Accounting Practice" (UK GAAP), the previous regime, to IFRS. This transition has no impact on the local taxpayers as any changes are "reversed out" to have no cash impact.

The major changes implicit in IFRS are set out below:

Accounting for **leases** under IFRS is significantly different to the previous arrangement. Where the County leases an asset in a way which transfers the bulk of the risks and rewards of ownership to the County, this is regarded as a "finance lease" and the asset is shown on the Balance Sheet. Leases not meeting these criteria are "operating leases" and feature in the accounts only as rental payments in the Comprehensive Income & Expenditure Statement.

Accounting for **fixed assets**—or more properly, 'property, plant and equipment'—has also undergone some change. This involves the introduction of 'component accounting', which recognises that not all components of a fixed asset will necessary have the same useful life. For example, the boiler system in a building is likely to have a shorter life than the building which houses it, and will therefore need to be depreciated over a shorter period. Components worth £500,000 are considered for componentisation even where they are part of the same asset. For major items of plant and machinery such as lifts and boilers, a deminimus of £10,000 applies.

Employee benefits—commonly if inaccurately known as 'accrued leave'—also require a new accounting treatment under IFRS. The requirement is now for authorities to accrue for benefits (most usually annual leave) earned but not taken at the year-end. The value of these benefits on the 2010/11 Balance Sheet is £10.7m.

Declaration

Under paragraph 8(2) of the Accounts and Audit (England) Regulations 2011, I certify that the Statement of Accounts set out in the following pages presents a true and fair view of the financial position of the County Council as at 31 March 2011, and of its income and expenditure for the year ending on that date.

Richard Hornby
Executive Director Finance and Performance **30 June 2011**

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Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the council.

	General Fund Balance	Earmarked General Fund Reserves	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	£000	£000	£000	£000	£000	£000	£000
Balance at 1 April 2009	**13,269**	**77,220**	**0**	**19,158**	**109,647**	886,833	**996,480**
<u>Movement in reserves during 2009/10</u>							
Surplus or (deficit) on the provision of services	-23,581	0	0	0	**-23,581**	0	-23,581
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	-308,479	-308,479
Total Comprehensive Income and Expenditure	**-23,581**	**0**	**0**	**0**	**-23,581**	**-308,479**	**-332,060**
Adjustments between accounting basis & funding basis under regulations (Note 2)	19,708	0	0	-17,274	2,434	-2,434	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**-3,873**	**0**	**0**	**-17,274**	**-21,147**	**-310,913**	**-332,060**
Transfers to/from Earmarked Reserves (Note 3)	7,403	-7,403	0	0	0	0	0
Increase/Decrease in 2009/10	**3,530**	**-7,403**	**0**	**-17,274**	**-21,147**	**-310,913**	**-332,060**
Balance at 31 March 2010 carried forward	**16,799**	**69,817**	**0**	**1,884**	**88,500**	**575,920**	**664,420**
<u>Movement in reserves during 2010/11</u>							
Surplus or (deficit) on the provision of services	161,515	0	0	0	**161,515**	0	161,515
Other Comprehensive Income and Expenditure	0	0	0	0	**0**	261,884	261,884
Total Comprehensive Income and Expenditure	**161,515**	**0**	**0**	**0**	**161,515**	**261,884**	**423,399**
Adjustments between accounting basis & funding basis under regulations (Note 2)	-141,484	0	821	-1,585	-142,248	142,248	0
Net Increase/Decrease before Transfers to Earmarked Reserves	**20,031**	**0**	**821**	**-1,585**	**19,267**	**404,132**	**423,399**
Transfers to/from Earmarked Reserves (Note 3)	-19,444	19,444	0	0	0	0	0
Increase/Decrease in 2010/11	**587**	**19,444**	**821**	**-1,585**	**19,267**	**404,132**	**423,399**
Balance at 31 March 2011 carried forward	**17,386**	**89,261**	**821**	**299**	**107,767**	**980,052**	**1,087,819**

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Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves is usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

1 April 2009 £000	31 March 2010 £000		Notes	31 March 2011 £000
1,768,959	1,834,811	Property, Plant & Equipment	4	1,909,888
4,107	5,304	Investment Property	8	5,326
998	888	Intangible Assets	9	2,011
20,997	10,971	Long Term Investments	10	4
2,470	3,376	Long Term Debtors	10	3,664
1,797,531	**1,855,350**	**Long Term Assets**		**1,920,893**
220,095	122,560	Short Term Investments	10	58,924
20	1,500	Assets Held for Sale	12	9,604
371	286	Inventories	13	285
41,527	47,340	Short Term Debtors	14	61,854
17,573	15,706	Payments in Advance		27,725
0	67,856	Cash and Cash Equivalents	15	92,727
279,586	**255,248**	**Current Assets**		**251,119**
-9,250	0	Cash Overdrawn	15	0
-3,456	-3,552	Short Term Borrowing	10	-7,020
-112,315	-108,866	Short Term Creditors	16	-85,073
-13,656	-14,723	Provisions	17	-19,763
-24,605	-22,826	Receipts in Advance		-21,101
-163,282	**-149,967**	**Current Liabilities**		**-132,957**
-356,099	-371,099	Long Term Borrowing	10	-371,099
-32,714	-28,060	Provisions	17	-28,546
-58,984	-57,677	PFI Liability	18	-57,883
-5,683	-4,905	Finance Lease Liability	19	-4,214
-449,600	-800,368	Pension Liability	20	-438,718
0	0	Donated Assets Account		0
-14,275	-34,102	Capital Grants Receipts in Advance	22	-50,776
-917,355	**-1,296,211**	**Long Term Liabilities**		**-951,236**
996,480	**664,420**	**Net Assets**		**1,087,819**
109,647	88,500	Usable Reserves	23	107,767
886,833	575,920	Unusable Reserves	24	980,052
996,480	**664,420**	**Total Reserves**		**1,087,819**

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Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position, which directly affects the cash balance on the General Fund, is shown in the Movement in Reserves Statement.

2009/10				2010/11		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000	£000		£000	£000	£000
118	-59	59	Court Services	118	-59	59
1,919	-1,112	807	Central services to the public	1,825	-1,287	538
86,825	-14,529	72,296	Cultural, environmental, regulatory and planning services	83,219	-14,674	68,545
684,432	-568,605	115,827	Education and children's services	752,890	-621,463	131,427
34,419	-1,542	32,877	Fire Services	36,334	-1,564	34,770
66,546	-6,488	60,058	Highways and transport services	67,039	-13,371	53,668
16,257	-14,388	1,869	Housing services (non-HRA)	15,153	-1,392	13,761
284,853	-100,846	184,007	Adult social care	303,093	-109,955	193,138
30,540	-19,622	10,918	Corporate and democratic core	32,435	-16,579	15,856
2,800	0	2,800	Non distributed costs	2,200	0	2,200
0	0	0	Exceptional Items (note 25)	-151,735	0	-151,735
1,208,709	**-727,191**	**481,518**	**Cost of Services**	**1,142,571**	**-780,344**	**362,227**
		40,365	Other Operating Expenditure (Note 26)	32,840	0	32,840
		48,354	Financing and Investment Income and Expenditure (Note 27)	66,230	-24,369	41,861
		-546,656	Taxation and Non-Specific Grant Income (Note 28)	100	-598,543	-598,443
		23,581	**(Surplus) or Deficit on Provision of Services**	**1,241,741**	**-1,403,256**	**-161,515**
		-29,437	(Surplus) or Deficit on revaluation of non current assets			-27,124
		0	(Surplus) or Deficit on revaluation of available for sale financial assets			0
		337,916	Actuarial gains losses on pension assets / liabilities			-234,760
		308,479	**Other Comprehensive Income and Expenditure**			**-261,884**
		332,060	**Total Comprehensive Income and Expenditure**			**-423,399**

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Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of taxation and grant income or from the recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

2009/10		2010/11
£000		£000
23,581	Net (surplus) or deficit on the provision of services	-161,515
-135,681	Adjustments to net surplus or deficit on the provision of services for non cash movements	61,801
111,676	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	84,215
-424	Net cash flows from Operating Activities	-15,499
-62,492	Investing Activities (Note 44)	-6,192
-14,190	Financing Activities (Note 45)	-3,180
-77,106	Net (increase) in cash and cash equivalents	-24,871
9,250	Cash and cash equivalents at the beginning of the reporting period	-67,856
-67,856	**Cash and cash equivalents at the end of the reporting period (Note 15)**	**-92,727**

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Notes to the Accounts

1. Transition to International Financial Reporting Standards (IFRS)

2010/11 is the first year that local authorities are required to prepare their accounts under IFRS, and there are specific transitional arrangements that apply only in this first year.

IFRS 1 *First-time Adoption of International Financial Reporting Standards* is the standard that sets out these specific transitional arrangements, and the CIPFA Code of Practice 2010/11 ("the Code") requires authorities to follow this standard, except where interpretations or adaptations to fit the public sector are detailed in the Code.

The following tables explain the difference between the amounts presented in the published 2009/10 financial statements and the equivalent amounts presented in the 2010/11 financial statements under IFRS.

Any item charged to the Comprehensive Income and Expenditure Statement is mitigated through the Movement in Reserves Statement (MiRS) and has no impact on the County Council's cash reserves.

Summary of Changes

The revised balances for the 2009/10 Financial Statements following the transition to IFRS are summarised below:

Balance Sheet	Opening 1st April 2009 Balance	Closing 31st March 2010 Balance
	£000	£000
Property, Plant & Equipment		
Original UK GAAP Balance	1,778,027	1,847,295
Adjustments re IFRS:	0	
Leases	-4,941	-6,538
Investment Properties	-4,107	-4,687
Assets held for Sale	-20	-1,259
Restated IFRS Balance	1,768,959	1,834,811
Investment Properties		
Original UK GAAP Balance	0	
Adjustments re IFRS:	4,107	5,304
Restated IFRS Balance	4,107	5,304
Long Term Debtors		
Original UK GAAP Balance	-5	0
Change in debtor category	1,712	2,617
Adjustments re IFRS: Leases	763	759
Restated IFRS Balance	2,470	3,376
Current Assets (Assets Held for Sale)		
Adjustments re IFRS:		
Property, Plant & Equipment	20	1,259
Capital Adjustment Account	0	241
Restated IFRS Balance	20	1,500
Current Assets (Cash and Cash Equivalents)		
Original UK GAAP Balance	0	0
Cash Overdrawn	0	-7,234
Short Term Investments	0	75,090
Restated IFRS Balance	0	67,856
Current Assets (Short-term Investments)		
Original UK GAAP Balance	220,443	197,650
Cash & Cash Equivalents	-348	-75,090
Restated IFRS Balance	220,095	122,560

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Current Liabilities (Cash Overdrawn)				
Original UK GAAP Balance		-9,598		-7,234
Cash & Cash Equivalents		348		7,234
Restated IFRS Balance		-9,250		0
Current Liabilities (Short Term Creditors)				
Original UK GAAP Balance		-116,827		-113,727
Capital Contributions Account		4,512		4,861
Restated IFRS Balance		-112,315		-108,866
Current Liabilities (Short-term Provisions)				
Original UK GAAP Balance		0		0
Accumulated Absences		-11,064		-12,643
Provisions (Long-term)		-2,592		-2,080
Restated IFRS Balance		-13,656		-14,723
Long Term Liabilities (Government Grants Deferred)				
Original UK GAAP Balance		-223,464		-278,963
Capital Adjustment Account		223,464		278,963
Restated IFRS Balance		0		0
Long Term Liabilities (Capital Contributions Account)				
Original UK GAAP Balance		-28,921		-31,125
Change in balance sheet category		-4,512		-4,861
Revised UK GAAP Balance		-33,433		-35,986
Capital Grant Receipts in Advance		14,239		34,066
Capital Grants Unapplied		19,194		1,920
Restated IFRS Balance		0		0
Long Term Liabilities (Provisions)				
Original UK GAAP Balance		-35,306		-30,140
Adjustments re IFRS:				
Short-term Provisions		2,592		2,080
Restated IFRS Balance		-32,714		-28,060
Long Term Liabilities (Finance Lease)				
Original UK GAAP Balance		0		0
Adjustments re IFRS: Leases		-5,683		-4,905
Restated IFRS Balance		-5,683		-4,905
Long Term Liabilities (Capital Grants – Receipts in Advance)				
Original UK GAAP Balance		0		0
Capital Contributions		-14,275		-34,102
Restated IFRS Balance		-14,275		-34,102
Capital Grants Unapplied Reserve				
Original UK GAAP Balance		0		0
Capital Contributions		-19,158		-1,884
Restated IFRS Balance		-19,158		-1,884
Accumulated Absences Reserve				
Original UK GAAP Balance		0		0
Short-term Provisions		11,064		12,643
Restated IFRS Balance		11,064		12,643
Revaluation Reserve				
Original UK GAAP Balance		-177,120		-204,030
Adjustments re IFRS:				
Leases		7,021		7,305
Investment Properties		2,069		2,245
Revaluation losses		3,157		2,118
Restated IFRS Balance		-164,873		-192,362

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Capital Adjustment Account		
Original UK GAAP Balance	-951,387	-916,418
UK GAAP Adjustment	-7,814	0
	-959,201	-916,418
Adjustments re IFRS:		
Leases	3,603	4,138
Assets Held for Sale	0	-241
Investment Properties	-2,069	-2,862
Revaluation losses	-3,157	-2,118
Govt. Grant Deferred	-223,464	-278,963
Other IFRS adjustments	0	4
Restated IFRS Balance	-1,184,288	-1,196,460

Comprehensive Income and Expenditure Statement	
	2009/10
Central Services to the Public	
Original UK GAAP Expense	809
Employee Benefits	-2
Restated IFRS Expense	807
Court Services (no change)	59
Cultural, Environmental, Regulatory & Planning Services	
Original UK GAAP Expense	72,509
Govt. Grant Deferred	63
Leases	-93
Investment Properties	53
Employee Benefits	5
Restated IFRS Expense	72,537
Children's and Education Services	
Original UK GAAP Expense	106,605
Govt. Grant Deferred	7,734
Leases	-13
Employee Benefits	1,501
Restated IFRS Expense	115,827
Fire Services	
Original UK GAAP Expense	32,881
Govt. Grant Deferred	16
Leases	-29
Employee Benefits	9
Restated IFRS Expense	32,877
Highways, Roads & Transport Services	
Original UK GAAP Expense	57,320
Govt. Grant Deferred	2,688
Leases	-1
Investment Properties	43
Employee Benefits	8
Restated IFRS Expense	60,058
Housing Services (Non HRA)	
Original UK GAAP Expense	1,805
Leases	0
Investment Properties	60
Employee Benefits	4
Restated IFRS Expense	1,869

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Adult Social Care				
Original UK GAAP Expense				183,837
Govt. Grant Deferred				144
Leases				-29
Employee Benefits				55
Restated IFRS Expense				184,007
Corporate and Democratic Core				
Original UK GAAP Expense				10,852
Depreciation				674
Leases				67
Employee Benefits				-1
Restated IFRS Expense				11,592
Financing and Investment Income and Expenditure				
Original UK GAAP Expense				49,026
Leases				281
Investment Properties				-953
Restated IFRS Expense				48,354
Taxation and Non-specific Grant Income				
Original UK GAAP Income				-497,787
Capital Grant & Contributions				-48,869
Restated IFRS Income				-546,656
Total Change: Comprehensive Income & Expenditure Account				**-36,585**
Movement in Reserves Statement (changes)				
Govt. Grant Deferred			-10,645	
Leases			-183	
Depreciation			-674	
Capital Grant & Contributions			48,869	
Investment Properties			797	
Employee Benefits			-1,579	
Total Changes				**36,585**

The changes to the Movement in Reserves Statement mitigate the charges to the Comprehensive Income and Expenditure Account and, therefore, there is no charge to the taxpayer.

Detailed Changes

Leases

Under the Code, leases are required to be accounted for as either ‘finance’ or ‘operating’ leases. The change in accounting treatment can result in a lease being accounted for as an operating lease where it was previously treated as a finance lease; or as a finance lease where it was previously treated as an operating lease.

The Government has issued regulations and statutory guidance in relation to accounting for leases. Under these arrangements, the annual charge to the General Fund (where the Authority is the lessee) will be unchanged.

Where the Authority is the lessor, the regulations allow the Authority to continue to treat the income from existing leases in the same way as it accounted for the income prior to the introduction of the Code.

The Authority has 45 agreements where the accounting treatment has changed as a result of the introduction of the Code:

There are 14 fire vehicle and equipment leases and 9 property leases where the Authority is the lessee and the lease agreement had previously been treated as an operating lease but under the Code they are finance leases.

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There are 6 leases where the Authority is the lessor and the lease agreement had previously been considered an operating lease but under the Code they are now finance leases and the assets are off-Balance Sheet.

There are 5 leases where the Authority is the lessee and the lease agreements are operating leases – these agreements have previously been shown as assets but are now shown off-Balance Sheet.

There are 11 management agreements/licences where the Authority has no control or ownership of the land and the assets previously shown on the Balance Sheet have now been removed.
As a consequence of reclassifying the leases, the financial statements have been amended as follows:

- The Authority has recognised assets and finance lease liabilities for the finance leases where it is the lessee and removed the assets where the Authority is the lessor. Operating leases where the Authority is the lessee and an asset has previously been shown on balance sheet have also been removed.

- The operating lease charges within Cultural, Environmental, Regulatory & Planning Services, Children's and Education Services, Fire Services and Adult Social Care have been reduced by the lease payments.

- Depreciation charges have been included within Cultural, Environmental, Regulatory & Planning Services, Children's and Education Services, Fire Services and Adult Social Care.

- The depreciation charges have been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheets as at 1 April 2009 and 31 March 2010, and the adjustments that relate to 2009/10 are reported in the Movement in Reserves Statement for the year.

- The interest element of the lease payments is charged to the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

This has resulted in the following changes being made in the 2009/10 financial statements:

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment	-4,941
Other Long-Term Liabilities (finance lease liability)	-5,683
Capital Adjustment Account	3,603
Revaluation Reserve	7,021
2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment	-6,538
Other Long-Term Liabilities (finance lease liability)	-4,905
Capital Adjustment Account	4,138
Revaluation Reserve	7,305
2009/10 Comprehensive Income and Expenditure Statement:	Adjustments Made
	£000
Cultural, Environment, Regulatory and Planning Services, Children's and Education Services, Fire Services, Highways and Transport Services, Other Housing Services and Adult Social Care	-98
Financing and Investment Income and Expenditure	281
TOTAL	183

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Investment Properties

The Code requires an asset to be classified as an Investment Property if it is held solely for the purpose of income generation or capital appreciation. Upon reviewing the asset register, 44 properties met the criteria of an Investment Property.

As a result of these reclassifications, the following changes have been made to the financial statements:

- The values of the Investment Properties as at 1 April 2009 have been transferred from Property, Plant and Equipment to Investment Properties.
- Gains and losses as at 1 April 2009 previously recognised in the Revaluation Reserve have been transferred to the Capital Adjustment Account.
- Additions and revaluations incurred in 2009/10 have been transferred from Property, Plant and Equipment to Investment Properties;
- The revaluations have been accounted for in the Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.
- Depreciation charges incurred in 2009/10 have been removed from Cultural, Environment, Regulatory and Planning Services, Highways and Transport Services and Other Housing Services.
- The depreciation charges removed have been transferred from the General Fund to the Capital Adjustment Account. This transfer has been reflected in the Balance Sheet at 31 March 2010, and the adjustment reported in the Movement in Reserves Statement for the year.
- Income and expenditure relating to Investment Properties charged to Cultural, Environment, Regulatory and Planning Services, Highways and Transport Services and Other Housing Services have been transferred to Financing and Investment Income and Expenditure line in the Surplus or Deficit on the Provision of Services.

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment	-4,107
Investment Properties	4,107
Capital Adjustment Account	-2,069
Revaluation Reserve	2,069
2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment	-4,687
Investment Properties	5,304
Capital Adjustment Account	-2,862
Revaluation Reserve	2,245
2009/10 Comprehensive Income and Expenditure Statement:	
Cultural, Environment, Regulatory and Planning Services, Highways and Transport Services, Housing Services and Corporate and Democratic Core	156
Financing and Investment Income and Expenditure	-953
TOTAL	- 797

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Assets held for Sale

The Code requires an 'Asset held for Sale' to meet the following criteria:

- the asset must be available for immediate sale
- the sale must be highly probable
- the sale must be actively marketed
- the sale should be completed within one year

The Authority had three assets that met these criteria in 2009/10 - land at Langley Green Primary School and land at Three Bridges Infants School, both as from 1st April 2009, and Holding 212 Wick Farm (Plots 1-7), Albourne as from 31st March 2010.

The reclassification has resulted in the following changes to the 2009/10 financial statements:

- The value of the Assets held for Sale as at 1 April 2009 and 31st March 2010 have been transferred from Property, Plant and Equipment to Assets held for Sale.

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment - category change	-20
Assets held for Sale – category change	20
2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made
	£000
Property, Plant and Equipment – category change	-1,265
Assets held for Sale – category change	1,265
Property, Plant and Equipment – assets sold	6
Assets held for Sale – assets sold	-6
Capital Adjustment Account – Revaluation gains	-241
Assets held for Sale - Revaluation gains	241

Cash and Cash Equivalents

The definition of cash equivalents in paragraph 3.4.2.2 of the Code is "short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value". Qualifying investments will have a short maturity.

International Accounting Standard (IAS) 7 suggests that cash in hand and cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours from date of acquisition. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

This line has the description Cash and Cash Equivalents as it represents a net deficit on cash; it would have the description Bank Overdrafts if it contained the gross deficit of cash overdrawn on bank accounts for which there were no offsetting arrangements with the bank.

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made £000
Cash and Cash Equivalents	171,510
Short Term Investments	-181,108
Cash Overdrawn	9,598
Movement from Cash and Cash Equivalents on balance sheet	-348
Cash Overdrawn (Cash & Cash Equivalents are NIL)	9,250
2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made £000
Cash and Cash Equivalents	159,625
Short Term Investments	-166,859
Cash Overdrawn	7,234
Movement to Cash and Cash equivalents on balance sheet	-7,234
Cash Overdrawn	0

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Provisions

Provisions are classified as either current liabilities or non-current liabilities in line with section 3.4 of the Code. Under section 3.4.2.58 the authority classifies a liability as current when:

- it expects to settle the liability in its normal operating cycle (the normal operating cycle for a local authority shall be assumed to be 12 months, however the normal operating cycle of other group members may be different)
- it holds the liability primarily for the purpose of trading
- the liability is due to be settled within 12 months after the reporting period, or
- the authority does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

An authority shall classify all other liabilities as long term. This has resulted in the following changes being made to the 2009/10 financial statements:

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made £000
Provisions (Long-term liabilities)	2,592
Provisions (Current liabilities)	-2,592

2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made £000
Provisions (Long-term liabilities)	2,080
Provisions (Current liabilities)	-2,080

Government grants

Under the Code, grants and contributions for capital schemes are recognised as income when they become receivable. Previously, grants were held in a grants deferred account and recognised as income over the life of the assets, which they were used to fund.

As a consequence of adopting the accounting policy required by the Code, the financial statements have been amended as follows:

- The balance on the Government Grants Deferred Account at 31 March 2009 has been transferred to the Capital Adjustment Account in the opening 1 April 2009 Balance Sheet.

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made £000
Government Grants Deferred Account	223,464
Capital Adjustment Account	-223,464

2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made £000
Government Grants Deferred Account	278,963
Capital Adjustment Account	-278,963

- Portions of government grants deferred were previously recognised as income in 2009/10; these have been removed from the Comprehensive Income and Expenditure Statement in the comparative figures.

2009/10 Comprehensive Income and Expenditure Statement:	Adjustments Made £000
Cultural, Environmental, Regulatory & Planning Services	63
Children’s and Education Services	7,734
Fire Services	16
Highways, Roads & Transport Services	2,688
Adult Social Care	144
TOTAL	**10,645**
Movement in Reserves Statement	-10,645

Grants and contributions unapplied at 1 April 2009 have been reviewed to ascertain whether there are any conditions attached to the grant or contribution.

Where there is no such condition, the grant or contribution has been transferred to the Capital Grants Unapplied Account. Where a condition has yet to be satisfied, the grant or contribution has been transferred to Capital Grants Receipts in Advance. Grants and contributions received but unapplied during 2009/10 has been reviewed to ascertain whether there are any conditions attached to the grant or contribution.

Where there is no such condition, the grant or contribution has been recognised in the Comprehensive Income and Expenditure Statement and transferred to the Capital Grants Unapplied Account. This has resulted in the following changes being made to the 2009/10 financial statements:

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made £000
Capital Contributions Account	33,433
Capital Grant Receipts in Advance	-14,239
Capital Grants Unapplied	-19,194

2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made £000
Capital Contributions Account	35,986
Capital Grant Receipts in Advance	-34,066
Capital Grants Unapplied	-1,920

There is no change to the General Fund Balance, as capital grant income is transferred out of the General Fund under both the previous and the current accounting policies.

Employee Benefits

“Employee benefits” refers to the entitlement to short-term compensated absences that employees receive as part of their contract of employment, which is accumulated as the employee provides services to the council. The most significant benefit covered by this heading is paid leave. Employees build up an entitlement to paid leave as they work.

Under the Code, the cost of providing leave and similar benefits is required to be recognised when employees render services that increase their entitlement to future compensated absences. As a result, the council is required to accrue for any annual leave earned but not taken at 31 March each year. Under the previous accounting arrangements, no such accrual was required.

The government has issued regulations that mean local authorities are only required to fund paid leave and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences Account until the benefits are used.

Accruing for short-term accumulating compensated absences has resulted in the following changes being made to the 2009/10 financial statements:

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made £000
Provisions (Current liabilities)	-11,064
Accumulated Absences Account	11,064

2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made £000
Provisions (Current liabilities)	-12,643
Accumulated Absences Account	12,643

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2009/10 Comprehensive Income and Expenditure Statement Cost of Services (Net)	Adjustments Made £000
Central Services to the Public	-2
Cultural, Environmental, Regulatory & Planning Services	5
Children's and Education Services	1,501
Fire Services	9
Highways, Roads & Transport Services	8
Housing Services (Non HRA)	4
Adult Social Care	55
Corporate and Democratic Core	-1
TOTAL	**1,579**
Movement in Reserves Statement	-1,579

Revaluation Reserve

Under the Code it is implicit that a revaluation gain is used to reverse a revaluation loss. Where an asset has a revaluation gain recognised in the Revaluation Reserve and a previous revaluation loss recognised in the Income and Expenditure Account, an adjustment is made between the Revaluation Reserve and the Capital Adjustment Account. This has resulted in the following changes to the 2009/10 financial statements:

2009/10 Statements - Opening 1 April 2009 Balance Sheet:	Adjustments Made
	£'000
Revaluation Reserve	3,157
Capital Adjustment Account	-3,157

2009/10 Statements - 31 March 2010 Balance Sheet:	Adjustments Made
	£'000
Revaluation Reserve	2,118
Capital Adjustment Account	-2,118

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2. Adjustments between Accounting Basis and Funding Basis under Regulations

This note details the adjustments that are made to the total comprehensive income and expenditure recognised by the Authority in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Authority to meet future capital and revenue expenditure.

2010/11	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	45,757	0	0	-45,757
Revaluation gains/(losses) on Property, Plant and Equipment	14,160	0	0	-14,160
Movements in the market value of Investment Properties	0	0	0	0
Amortisation of intangible assets	110	0	0	- 110
Capital grants and contributions applied	-80,630	0	0	80,630
Revenue expenditure funded from capital under statute	-10,742	0	0	10,742
Revenue Expenditure Funded from Capital under Statute – Specific grants Applied	10,742	0	0	-10,742
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-3,579	0	0	3,579
Other losses on Property, Plant and Equipment	36,122	0	0	-36,122
Profit on disposal previously recognised	32	0	0	-32
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>	0			
Statutory provision for the financing of capital investment	-26,701	0	0	26,701
Provision for the liability of Finance Leases	0	0	0	0
Waste PFI prepayment	3,132	0	0	-3,132
Capital expenditure charged to the General Fund	-380	0	0	380
Adjustments primarily involving the Capital Receipts Reserve:				
Proceeds of disposal	0	10,434	0	-10,434
Use of the Capital Receipts Reserve to finance new capital expenditure	0	-9,613	0	9,613
Transfer from Deferred Capital Receipts upon receipt of cash	5	0	0	-5
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-1,585	1,585
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 20)	23,776	0	0	-23,776
Employer's pension contributions and direct payments to pensioners payable in year	-150,666	0	0	150,666
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-634	0	0	634
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	-1,988	0	0	1,988
Total Adjustments	**-141,484**	**821**	**-1,585**	**142,248**

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2009/10

	Usable Reserves			
	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:				
<u>Reversal of items debited or credited to the Comprehensive Income and Expenditure Statement:</u>				
Charges for depreciation of non current assets	46,632	0	0	-46,632
Other movements in costs or valuations	7,107	0	0	-7,107
Movements in the market value of Investment Properties	-793	0	0	793
Assets removed under IFRS – re leases etc	424	0	0	- 424
Amortisation of intangible assets	110	0	0	- 110
Capital grants and contributions applied	-48,869	0	0	48,869
Revenue Expenditure Funded from Capital under Statute	-5,139	0	0	5,139
Revenue Expenditure Funded from Capital under Statute – Specific grants Applied	5,139	0	0	-5,139
Revenue Expenditure Funded from Capital under Statute – Non-specific grant	2,139	0	0	-2,139
Amounts of non current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	39,753	0	0	-39,753
Revaluation gains/(losses) on Property, Plant and Equipment	-23,066	0	0	23,066
Other adjustments	-4	0	0	4
<u>Insertion of items not debited or credited to the Comprehensive Income and Expenditure Statement:</u>	0			
Statutory provision for the financing of capital investment	-15,907	0	0	15,907
Provision for the liability of Finance Leases	0	0	0	0
Waste PFI prepayment	0	0	0	0
Capital expenditure charged to the General Fund	-476	0	0	476
Adjustments primarily involving the Capital Receipts Reserve:				
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	0	0	0
Contribution from the Capital Receipts Reserve towards the administrative costs of non current asset disposals	0	0	0	0
Adjustments primarily involving the Capital Grants Unapplied Account:				
Capital grants and contributions unapplied credited to the Comprehensive Income and Expenditure Statement	0	0	0	0
Application of grants to capital financing transferred to the Capital Adjustment Account	0	0	-17,274	17,274
Adjustments involving the Pensions Reserve:				
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement (see note 20)	33,141	0	0	-33,141
Employer's pension contributions and direct payments to pensioners payable in year	-20,289	0	0	20,289
Adjustments involving the Collection Fund Adjustment Account:				
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	-1,773	0	0	1,773
Adjustment involving the Accumulated Absences Account:				
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1,579	0	0	-1,579
Total Adjustments	**19,708**	**0**	**-17,274**	**-2,434**

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3. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2010/11.

Usable Reserves	Balance at 1 April 2009 £'000	Balance at 1 April 2010 £'000	Change in-year £'000	Balance at 31 March 2011 £'000
Reserve for capital expenditure on County services	11,292	11,329	46	11,375
Street Lighting PFI	0	0	5,532	5,532
Renewals and Repairs	5	6	0	6
Waste Management	0	1,964	8,097	10,061
Insurance	9,283	13,952	-3,437	10,515
On Street Parking	1,521	847	-439	408
Car Parking / Carbon	10	17	-7	10
Central Service Reserves	515	163	-163	0
Planning Enquiries	541	242	0	242
Special Revenue Reserve	11,051	0	0	
Carry Forwards (Services)	5,628	620	-151	469
LABGI	1,739	339	-325	14
LAA Revenue Reserve	2,844	2,215	-1,878	337
Service Transformation	9,008	9,008	6,417	15,425
Interest Account	0	4,000	0	4,000
DSG Carry forward	3,260	1,860	608	2,468
School Balances/Reserves	20,523	23,255	4,201	27,456
OFSTED Recovery Plan	0	0	643	643
Social Enterprise Fund	0	0	300	300
Earmarked Reserves	**77,220**	**69,817**	**19,444**	**89,261**

- The reserve for capital expenditure is established to finance capital expenditure on capital services and it is planned to use this as part of the capital financing strategy.
- The Street Lighting PFI reserve was set up in 2010/11 to equalise the costs of the project throughout the period on the Council's revenue account (under IFRIC 12) under IFRS accounting concepts.
- The Waste Management reserve is the County Council's investment fund to meet the 25-year Materials Resource Management Contract with Biffa Waste Services Ltd for the treatment and disposal of waste, including the development of appropriate facilities.
- The insurance reserve amount is the total for self-funding of risks exceeding commitments for outstanding claims calculated by independent insurance advisers.
- The On-street parking reserve is used to finance provision of on or off-street parking.
- The Carbon offsetting/parking reserve is used to finance provision for initiatives to reduce carbon emissions and parking volumes.
- Planning reserve relates to public planning enquiries into Structure, Waste & Mineral Plans.
- The service budget reserve (WORTH Project) relates to approved underspending being available to services allocated in 2010/2011 and then amounts available for 2011/2012.
- The LABGI reserve was established to fund economic development initiatives and support the 2007/08 budgets onwards.
- The LAA reserve was established to fund the LAA revenue programme over 3 years and is now holding reserves from the Performance Reward Grant. Residual funding will finish in 2011/12.
- The Service Transformation Reserve set up during 2008/09, is to meet specific/itemised budget pressures during 2010/11 and in the medium-term. Includes £7.5m set aside against anticipated 2011/12 severance costs.
- The Interest Account is for future increases in interest rates, which will have a detrimental effect on investment/borrowing requirements.
- School reserves represent net underspending on locally managed budgets at 31 March 2011. DSG carry forward is detailed in note 36.
- The OFSTED recovery plan is for future initiatives addressing issues raised by OFSTED.
- The Social Enterprise Fund, SEF, is to provide working capital to enterprises that will help address the challenges shown as most important to the Council in its Performance Framework.

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4. Property, Plant and Equipment

Movements in 2010/11

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	**Total Property, Plant & Equipment**	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation								
At 1 April 2010	1,548,693	45,961	291,948	29	19,290	38,153	**1,944,074**	78,462
Additions	40,690	10,518	30,364	0	5	77,408	**158,985**	4,560
Revaluation increases recognised in the Revaluation Reserve	10,032	1,148	10,781	0	5,164	0	**27,124**	0
Revaluation decreases recognised in the Surplus/Deficit on the Provision of Services	-4,372	-1,694	0	0	-6,655	0	**-12,721**	-1,694
Derecognition – Disposals	-984	0	0	0	-5,079	0	**-6,063**	0
Derecognition - Other	-33,611	-5,278	0	0	-361	0	**-39,251**	0
Assets reclassified (to)/from Held for Sale	-208	0	0	0	-9,374	0	**-9,582**	0
Other movements in Cost or Valuation:								
Structural Maintenance	-1,455	27	0	0	6	541	**- 881**	0
Transfer in asset category	27,891	-95	-3,797	0	12,489	-36,489	**0**	0
At 31 March 2011	**1,586,676**	**50,587**	**329,296**	**29**	**15,486**	**79,613**	**2,061,686**	**81,327**
Accumulated Depreciation and Impairment								
At 1 April 2010	-315	-23,759	-85,190	0	0	0	**-109,264**	-5,071
Depreciation charge	-24,876	-4,253	-16,446	-1	-181	0	**-45,757**	-2,362
Derecognition – Disposals	12	0	0	0	13	0	**25**	0
Derecognition – Other	475	2,654	0	0	0	0	**3,129**	0
Other movements in Depreciation and Impairment:								
Assets reclassified from Held for Sale	4	0	0	0	64	0	**68**	0
Transfer in asset category	-182	15	166	0	0	0	**0**	0
At 31 March 2011	**-24,882**	**-25,342**	**-101,469**	**-1**	**-104**	**0**	**-151,798**	**-7,433**
Net Book Value								
At 31 March 2010	**1,548,378**	**22,202**	**206,758**	**29**	**19,290**	**38,153**	**1,834,811**	**73,390**
At 31 March 2011	**1,561,795**	**25,244**	**227,828**	**28**	**15,381**	**79,613**	**1,909,888**	**73,894**

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Comparative Movements in 2009/10

	Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets under Construction	**Total Property, Plant & Equipment**	PFI Assets included in Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	**£000**	£000
Cost or Valuation								
At 1 April 2009	1,502,571	46,051	270,905	0	12,605	40,316	**1,872,449**	78,898
Additions	66,520	3,892	20,324	0	0	24,527	**115,262**	717
Revaluation increases/(decreases) recognised in the Revaluation Reserve	21,877	0	0	12	7,550	0	**29,439**	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	-16,254	0	0	0	0	0	**-16,254**	-1,153
Derecognition – Disposals	-5,519	0	0	0	-865	0	**-6,384**	0
Derecognition - Other	-41,387	0	0	0	0	0	**-41,387**	0
Other movements in Cost or Valuation:								
Structural Maintenance	-1,300	631	21	16	0	421	**- 209**	0
Other revaluation adjustments	-3,536	-3,082	0	0	0	-312	**-6,931**	0
Transfer in asset category	25,722	-1,530	698	0	0	-26,800	**-1,910**	0
At 31 March 2010	**1,548,693**	**45,961**	**291,948**	**29**	**19,290**	**38,153**	**1,944,074**	**78,462**
Accumulated Depreciation and Impairment								
At 1 April 2009	-16,234	-17,492	-69,757	0	-5	0	**-103,488**	-2,784
Depreciation adjustment	-372	0	0	0	5	0	**- 367**	0
Depreciation charge	-24,200	-6,999	-15,432	-1	0	0	**-46,632**	-2,288
Depreciation written out to the Surplus/Deficit on the Provision of Services	39,079	0	0	1	0	0	**39,080**	0
Derecognition – Disposals	116	0	0	0	0	0	**116**	0
Derecognition – Other	1,650	0	0	0	0	0	**1,650**	0
Other movements in Depreciation and Impairment:								
Other revaluation adjustments	0	379	0	0	0	0	**379**	0
Transfer in asset category	-354	354	0	0	0	0	**0**	0
At 31 March 2010	**- 315**	**-23,759**	**-85,190**	**0**	**0**	**0**	**-109,264**	**-5,071**
Net Book Value								
At 31 March 2009	**1,486,337**	**28,559**	**201,148**	**0**	**12,601**	**40,316**	**1,768,959**	**76,114**
At 31 March 2010	**1,548,378**	**22,202**	**206,758**	**29**	**19,290**	**38,153**	**1,834,811**	**73,390**

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Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- buildings – straight line basis over a period of 35 years for existing buildings and 60 years for new builds
- vehicles, plant, furniture and equipment – individual estimated useful life on a straight line basis
- infrastructure – straight line basis over a period of 30 years for major projects and 15 years for structural maintenance of carriageways and bridges

Capital Commitments

The Authority has entered into a number of contracts prior to 31 March 2011 for the construction or enhancement of Property, Plant and Equipment. It has commitments totalling £29.9m to be paid in 2011/12 and later. The major commitments are:

Name of capital project	Date	£
Littlehampton Academy	2010-2013	596,871
Steyning Grammar School	2009-2012	1,120,502
Midhurst Academy	2010-2013	3,159,791
Shoreham Academy	2010-2013	4,748,569
Sir Robert Woodard Academy	2010-2012	8,930,268

Revaluations

The Authority carries out a rolling programme that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years.

Valuations of land and buildings undertaken in 2010/11 have been instructed by the Executive Director of Finance and Performance in accordance with IFRS guidelines and undertaken by a suitably qualified valuer(s).

5. Impairment Losses

For 2010/2011 there are no impairment losses to disclose.

6. Capitalisation of Borrowing Costs

West Sussex County Council has had no Capitalisation of Borrowing Costs in 2010/2011.

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7. Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PP contracts), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

CAPITAL EXPENDITURE AND CAPITAL FINANCING

	2009-10		2010-11	
	£'000	£'000	£'000	£'000
Capital Financing requirement				
Balance brought forward at 1st April		428,124		456,812
Capital investment for the year				
Portfolio				
Adults' Services	2,343		2,185	
Children and Families/Education and Schools	71,367		73,880	
Deputy Leader and portfolio for Highways and Transport	20,324		28,236	
Environment & Economy	1,524		43,363	
Finance & Resources	14,918		5,687	
Public Protection	4,147		2,640	
Street Lighting PFI Notional Investment	0		2,163	
Waste PFI Notional Investment	704		2,085	
		115,327		160,239
Revenue Expenditure Funded from Capital Under Statue (REFCUS)				
Adults' Services	3,023		4,148	
Children and Young People's Services	2,116		6,594	
		5,139		10,742
Above split for operational assets, non operational assets & deferred charges				
Source of Finance				
Capital Receipts	-4,115		-9,613	
External Contributions and Lottery	-5,216		-7,466	
Specific Grants	-60,926		-74,749	
Specific Grants applied to REFCUS	-5,139		-10,742	
Revenue	-475		-380	
Revenue Reserves	0		0	
		-75,871		-102,950
Sums set aside from revenue		-15,907		-26,701
Balance carried forward at 31st March		**456,812**		**498,142**
Change in Capital Financing Requirement		28,688		41,330
Explanation of change:				
Increase in underlying need to borrow		43,891		63,783
PFI Liability		704		4,248
Less the total of the Minimum Revenue Provisions		-15,907		-26,701
		28,688		41,330

Reconciliation of the Capital Financing Requirement to the Balance Sheet

	£'000
Capital Financing Requirement carried forward as at 31 March 2011	498,142
Property Plant & Equipment (note 4)	1,909,888
Investment Property (note 8)	5,326
Intangible Assets (note 9)	2,011
Assets Held for Sale (note 12)	9,604
Revaluation Reserve (note 24)	-212,523
Capital Adjustment Account (note 24)	-1,216,164
	498,142

8. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

2009/10 £000		2010/11 £000
-199	Rental income from investment property	-202
39	Direct operating expenses arising from investment property	45
- 160	**Net gain**	**-157**

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

The following table summarises the movement in the fair value of investment properties over the year:

2009/10 £000		2010/11 £000
4,107	Balance at the start of the year	5,304
	Additions:	
0	Purchases	0
0	Construction	0
84	Subsequent expenditure	22
	Disposals	
793	Net gains from fair value adjustments	0
	Transfers:	
0	To/from Inventories	0
320	To/from Property, Plant and Equipment	0
0	Other changes	0
5,304	**Balance at end of the year**	**5,326**

9. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and equipment. The intangible assets relate to purchased licenses. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The current licenses have been assigned a useful life of 10 years.

The carrying amount of the intangible asset is amortised on a straight-line basis. The amortisation of £109,757 charged to revenue in 2010/11 was charged to an IT Administration cost centre and then absorbed as an overhead across all the service headings in the Net Expenditure of Services. The movement on Intangible Asset balances during the year is as follows:

	2009/10 £'000	2010/11 £'000
Balance at start of year:		
- Gross carrying amounts	1,098	1,098
- Accumulated amortisation	-100	-210
Net carrying amount at start of year	998	888
Purchases	0	1,233
Amortisation for the period	-110	-110
Net carrying amount at end of year	888	2,011
Comprising:		
Gross carrying amounts	1,098	2,330
Accumulated amortisation	-210	-319
	888	2,011

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10. Financial Instruments and Nature and Extent of Risks arising from Financial Instruments

The accounting standards in respect of financial instruments were incorporated into the Local Authority SORP in 2007. The 2010 Code of Practice notes that where they continue to be relevant, the transitional provisions of the UK standards adopted by the 2007 SORP remain.

The definition of a financial instrument is: "*Any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity*".

The term 'financial instrument' covers both financial assets and financial liabilities. These range from straightforward trade receivables and trade payables to more complex transactions such as financial guarantees, derivatives and embedded derivatives. The Council's borrowing, PFI and finance leases, and investment transactions are classified as financial instruments.

<u>Financial Liabilities</u>: A Financial Liability is an obligation to transfer economic benefits controlled by the Council and can be represented by a contractual obligation to deliver cash or financial assets or an obligation to exchange financial assets and liabilities with another entity that are potentially unfavourable to the Council.

The Council's loan portfolio at year-end consisted of Public Works Loan Board (PWLB) debt. During the year no temporary borrowing from the money markets was undertaken. Under the 2010 Code of Practice these forms of borrowing are measured at amortised cost. This form of measurement does not change the amount of cash paid under the terms of the loan but can impact on the charge made to in the Comprehensive Income and Expenditure Statement.

<u>Financial Assets</u>: A Financial Asset is a right to future economic benefits controlled by the Council that is represented by cash or other instruments or a contractual right to receive cash or another financial asset.

The three classifications for financial assets under the Code of Practice are:

- Loans and Receivables;
- Available for Sale; and
- Fair Value through Profit and Loss.

The Council's portfolio of investments consists of fixed term deposits, money market funds, call/notice accounts. Term deposits and call accounts are classed as 'Loans and Receivables' and are measured at amortised cost. This form of measurement does not change the amount of cash received under the terms of the investment. Trade Receivables (Debtors) are classified as Loans and Receivables and have been measured at cost on the Balance Sheet. Money Market Funds are classified as Available for Sale.

Balances in money market funds and call accounts at 31 March 2011 are shown under 'cash and cash equivalents' in the Balance Sheet, as they represent highly liquid investments that are readily convertible to known amounts of cash, with an insignificant risk of changes in value.

At 31 March 2011 the Council did not have any investments to be measured at Fair Value through Profit and Loss.

<u>Transaction Costs</u>:

Measurement at amortised cost permits transactions costs related to financial instruments to be attached to the loan or investment and charged to the Comprehensive Income and Expenditure Statement over the life of the instrument. Where these are considered to be immaterial they can be charged in full to the Comprehensive Income and Expenditure Statement in the financial year in which they are incurred. The Council has adopted this latter approach in 2010/11.

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a. Financial Instruments Balances

The financial assets and liabilities disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-Term		*Current*	
	31 March 2010 £'000	**31 March 2011 £'000**	**31 March 2010 £'000**	**31 March 2011 £'000**
Borrowing [1] (principal amount)	-371,099	-371,099	0	-3,340
Accrued interest	0	0	-3,552	-3,680
PFI Liability	-57,677	-57,883	0	0
Finance Lease Liability	-4,214	-3,646	-691	-568
Trade Creditors	0	0	-87,795	-66,802
Financial liabilities at amortised cost	-432,990	-432,628	-92,038	-74,390
Financial liabilities at fair value through the Income & Expenditure Account	0	0	0	0
Total borrowings	-432,990	-432,628	-92,038	-74,390
Investments (principal amount)	10,000	0	197,374	153,807
Accrued Interest	967	0	276	244
Trade Debtors	3,376	3,664	25,697	42,726
Loans and receivables at amortised cost	14,343	3,664	223,347	196,777
Available for sale financial assets	4	4	0	1,450
Financial assets at fair value through the Income & Expenditure Account	0	0	0	0
Unquoted equity investment at cost	0	0	0	0
Total Investments	14,347	3,668	223,347	198,227
Soft Loans Provided [2]	210	340	0	0

[1] The County Council began long-term borrowing during 2000/01. All loans are scheduled to be repaid between 2022 and 2058.

[2] Included within Trade Debtors total.

The portion of long-term liabilities and investments due to be settled within 12 months of the Balance Sheet date are presented in the Balance Sheet under 'current liabilities' or 'current investments'. This would include accrued interest on long term liabilities and investments that is payable and/or receivable in 2010/11.

Soft Loans:

During 2010/11 the County Council made one interest free loan of £200,000 to 'the trustees of the Gurjar Hindu Union' (GHU) commencing January 2011 relating to the provision of funding for improvement works at their registered premises. The period of the loan is three years with £66,667 instalments repayable to the County Council on each anniversary of the agreement.

The County Council estimates that at market rates interest should have been charged at 3.5% resulting in annual interest of £7,000. As per accounting policies this is considered to be below the de-minimus level for full disclosure in the accounting statements.

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The position relating to soft loans at 31 March 2011 is therefore:

	31 March 2010 £'000	31 March 2011 £'000
Balance b/fwd	0	210
Loan Advance	210	200
Repayments Received	0	-70
Interest Charged to Comprehensive I&E Statement	0	0
Soft Loans Total (within long-term debtors)	210	340

During 2010/11, with regard to financial instruments the County Council had no:

- Unusual movements
- Reclassification of instruments
- Derecognition of instruments
- Allowance for credit losses
- Default and Breaches

b. Fair Value of Assets and Liabilities carried at Amortised Cost

The Council's long-term financial assets and financial liabilities are carried on the balance sheet at amortised cost. The portion of borrowings and investments due to be settled within 12 months of the Balance Sheet date are presented on the Balance Sheet under short-term borrowings or short-term investments. This also includes accrued interest for long-term investments and borrowings, as well as accrued interest for cash and cash equivalents.

The 2010 Code of Practice requires the fair values of these assets and liabilities to be disclosed for comparison purposes. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the financial instruments, using the following assumptions:

- For Public Works Loan Board (PWLB) loans, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. The rate used is the PWLB's "premature repayment rate" for each maturity period, effective at 31 March 2011 as set out in Interest Rate Notice No. 126/11
- For loans receivable prevailing benchmark market rates have been used to provide the fair value
- Where a financial instrument has a maturity of less than 12 months, the carrying amount is assumed to approximate fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values are calculated as follows:

	31 March 2010		*31 March 2011*		
Financial Liabilities	**Carrying Amount £'000**	**Fair Value £'000**	**Carrying Amount £'000**	**Fair Value £'000**	
PWLB debt	-374,651	-384,961	-374,779	-397,965	1
Non-PWLB debt	0	0	0	0	
Total debt	-374,651	-384,961	-374,779	-397,965	
Trade Creditors	-87,795	-87,795	-66,802	-66,802	3
Deferred Liabilities (PFI, Finance Leases)	-62,582	-62,582	-62,097	-62,097	
	-525,028	-535,338	-503,678	-526,864	
Financial Assets					
Market Value Loans (less than 1 year)	197,650	197,650	155,501	155,501	
Market Value Loans (greater than 1 year)	10,967	11,976	0	0	2
Bonds	4	4	4	4	
Trade Debtors	29,073	29,073	46,390	46,390	4
	237,694	238,703	201,895	201,895	

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NOTES:

1. The fair value of financial libilities is greater than the carrying amount because the authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans in the market at the Balance Sheet date.
2. The fair value for long-term investments is higher than the carrying amount because the authority's portfolio of investments included a number of fixed rate loans where the interest rate receivable was higher than the rates available for similar loans at 31 March 2010. During 2010/11 Lloyds TSB repaid these deposits back to the County Council early, in line with agreed terms and conditions. As a consequence there were no long-term investments at 31 March 2011.
3. Excludes statutory creditors: HM Revenue & Customs (Tax/National Insurance pay-over; CITDS; tax deducted from interest payments; SMP overpayments), government department accruals and council tax prepayments.
4. Excludes statutory debtors: HM Revenue & Customs (VAT repayment), Department for Health (EU Milk Subsidy), government department accruals, council tax arrears and provision for doubtful debts.

c. Financial Instruments Gains / Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

	2009/10			*2010/11*		
	Financial Liabilities	*Financial Assets*		*Financial Liabilities*	*Financial Assets*	
	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets	Liabilities measured at amortised cost	Loans and Receivables	Available for sale assets
	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	-19,161			-19,812		
Interest income		3,696	0	0	2,114	27
Interest on financial instruments	-19,161	3,696	0	-19,812	2,114	27
Surplus arising on revaluation of financial assets	0	0	0	0	0	0
Transfer to internal funds	0	-417	0	0	-365	0
Net gain / (loss) for year	-19,161	3,279	0	-19,812	1,749	27

d. Nature and Extent of Risk Arising From Financial Instruments

(i) Key Risks

The County Council's activities expose it to a variety of financial risks, the key risks are:

- Credit risk: The possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk: The possibility that the Council might not have funds available to meet its commitments to make payments;
- Re-financing risk: The possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk: The possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

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(ii) Overall Procedures for Managing Risk

The County Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Treasury Management Code of Practice;
- by the adoption of a treasury policy statement and treasury management clauses within its financial regulations/standing orders/constitution;
- by approving annually in advance prudential indicators for the following three years limiting:
  - The Council's overall borrowing;
  - Its maximum and minimum exposures to fixed and variable rates;
  - Its maximum and minimum exposures the maturity structure of its debt;
  - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Department for Communities and Local Government's (CLG) Investment Guidance for local authorities;

These are required to be reported and approved at or before the County Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure.

The County Council instituted a Treasury Management Panel during 2009/10 comprising the Cabinet Member for Finance and Resources and four other elected members. The panel functions as a formal consultative body supporting the Cabinet Member and the Executive Director Finance and Performance in implementing the Council's treasury management strategy and to widen members' involvement in treasury management decisions. The Regulation, Audit and Accounts Committee receives regular reports on compliance with the treasury management strategy and the Policy and Resources Select Committee reviews the content of the strategy and performance against objectives.

The annual treasury management strategy which incorporates the prudential indicators was approved by County Council on 12 February 2010 and is available on the County Council website. The key issues within the strategy were:

- The Authorised Borrowing Limit for the 2010/11 was set at £651.7m. This is the maximum limit of external borrowings or other long-term liabilities (including PFI).
- The Operational Borrowing Limit for 2010/11 was expected to be £611.7m. This is the expected level of actual debt and other long-term liabilities during the year.
- The maximum borrowing exposure to fixed and variable interest rates was set at 100% and 25% respectively, based on the Council's gross borrowing.
- The maximum exposures to the maturity structure of debt are shown at note (v).
- The maximum amount that can be invested for greater than one year was set at 25% of the Council's daily average investment portfolio.

Treasury management policies are implemented by a central treasury team, the County Council maintains written principles for overall risk management as well as written policies covering specific areas such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices (TMPs). These TMPs are a requirement of the Code of Practice and are reviewed periodically.

(iii) Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. This risk is minimised through the annual investment strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard & Poors Credit Ratings Services.

During 2010/11 the County Council continued to use other means of assessing the credit worthiness of a financial institution over and above sole reliance on credit ratings including Credit Default Swap (CDS) rates, equity prices, sovereign ratings, government guarantees to parent banks and general media coverage.

During 2010/11 the County Council managed credit risk by ensuring that investments were placed with the Debt Management Office, other local authorities, AAA-rated money market funds or Banks and Building Societies having sufficiently high credit worthiness as set out in the Treasury Management Strategy.

The minimum criteria for new investments with UK institutions has been a long term rating of A- and a short term rating of F1 (Fitch or equivalent rating with at least two of the three rating agencies, with the lowest available rating being applied to the criteria).

The annual investment strategy also considers maximum amounts and time limits in respect of each banking group and individual financial institution. The following limits were placed for investments with a single counterparty:

- £35m for deposits with local authorities and UK regulated Banks
- £25m for deposits with AAA-rated money market funds
- £20m for deposits with Nationwide Building Society
- No limit for deposits with the Debt Management Office (UK Government)
- 6 month maximum time limit for new investments, dependant on credit worthiness

Deposits were not made with banks and financial institutions unless they met the minimum requirements of the investment criteria outlined above. Regular counterparty review was facilitated by the submission of weekly statements of the disposition of deposits to the Executive Director Finance and Performance and the Cabinet Member for Finance and Resources.

The table below summarises the nominal value of the Council's investment portfolio at 31 March 2011, and confirms that all investments were made in line with the Council's approved credit rating criteria:

Counterparty	*Credit rating criteria met when investment placed*	*Credit rating criteria met when on 31 Mar 2011*	*Balance invested as at 31 March 2011* **(period when investment placed)**				*Total*
	YES / NO	YES / NO	Up to 1 month £'000	>1 month and <3 months £'000	>3 month and <6 months £'000	>6 months £'000	£'000
Banks – UK	YES	YES	0	0	35,000	0	35,000
Building Societies	YES	YES	0	0	20,000	0	20,000
Money Market Funds	YES	YES	1,450				1,450
Call Accounts	YES	YES	95,000				95,000
			96,450	0	55,000	0	151,450

The above analysis excludes the estimated carrying value after impairment of the Council's Icelandic (Heritable Bank) investment of £3.8m.

The following analysis summarises the Council's potential maximum exposure to credit risk. The table gives details of global corporate finance average cumulative default rates (as provided by Moody's Investor Services) for the period since at least 1990 to 2010. Defaults shown are by long term rating category on investments out to 1 year:

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	Nominal Amount at 31 March 2011 £'000	Historical experience of default %	Adjustment for current market conditions %	Estimated maximum exposure to default £'000
Deposits with financial institutions:	(a)	(b)	(c)	(a*c)
AAA rated counterparties	1,450	0.000%	0.000%	0
AA rated counterparties	60,000	0.020%	0.020%	12
A rated counterparties	90,000	0.100%	0.100%	90
BBB rated counterparties	0	0.260%	0.260%	0
Other Local Authorities	0	0.000%	0.000%	0
Investments	151,450			102
Bond – AAA rates	4	0.000%	0.000%	0
Trade Debtors	46,390	1.140%	1.140%	529
Heritable Bank [1]	3,807	15.000%	0.000%	0
Total	201,651			631

[1] For detailed information regarding Heritable Bank see disclosure note 11. Default percentage for Heritable based on information received from Ernst & Young (administrators for Heritable), no further impairment was made during 2010/11.

Whilst the current credit crisis in international markets has raised the overall possibility of default the County Council maintains strict criteria for investment counterparties. During 2010/11 the County Council approved the placement of deposits with AAA-rated money market funds on the basis that funds could be withdrawn without notice if any unacceptable level of risk was observed.

The Council does not generally allow credit for its trade debtors, however £13.3m of the total £46.4m debtor balance is past its due date for payment. The past due amount, none of which has been impaired, can be analysed by age as follows:

	£'000
Less than three months	4,459
Three to six months	1,310
Six months to one year	2,158
More than one year	5,345
Total	13,272

Collateral – The County Council initiates a legal charge on property where, for instance, clients require the assistance of the Council's Adult Services but cannot afford to pay immediately. The total debt relating to such cases at 31 March 2011 was £7.2m.

Movement in the Provision for bad/doubtful debt

	2009/10 £'000	2010/11 £'000	Movement £'000
Provision for bad debts	-1,239	-1,040	199
Provision for council tax debts	-8,378	-8,729	-351
Total	-9,617	-9,769	-152

The County Council has no financial assets that are deemed to have been impaired in 2010/11.

(iv) Liquidity risk

The Council manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Markets to cover any day-to-day cash flow need, and whilst the PWLB provides access to longer-term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful).

The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

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The maturity analysis of financial assets (excluding accrued interest) is as follows:

	31 March 2010 £'000	31 March 2011 £'000
Less than one year	191,600	151,450
Between one and two years	0	0
Between two and three years [1]	10,000	0
Between three and four years	0	0
More than four years	0	0
Financial Assets Total	201,600	151,450

[1] Deposit repaid early (Lloyds TSB) in line with agreed terms and conditions.

All trade debtors (£46.4m) are due to be paid in less than one year and are not shown in the table above. The amount to be recovered in respect of Heritable Bank (£3.8m) is also not shown in the table above, as the ultimate maturity dates are unknown.

(v) Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer-term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- Monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and

- Monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day-to-day cash flow needs, and the spread of longer-term investments provide stability of maturities and returns in relation to the longer-term cash flow needs.

The maturity analysis of the County Council's financial liabilities (excluding accrued interest) with the maximum limits for fixed interest rates maturing in each period is as follows:

	Maximum Approved Limit	31 March 2010 £'000	31 March 2011 £'000
Less than 1 year	10%	0	0
Between 1 and 5 years	15%	0	0
Over 5 years to 10 years	25%	0	0
Over 10 years to 15 years	50%	10,000	34,000
Over 15 years to 20 years	100%	121,944	141,299
Over 20 years to 25 years	100%	199,155	155,800
Over 25 years to 30 years	100%	0	0
More than 30 years	100%	40,000	40,000
Financial Liabilities Total		371,099	371,099

(vi) Market risk

Interest rate risk

The County Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- Borrowings at fixed rates – the fair value of the borrowing liability will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Comprehensive Income and Expenditure Statement and affect the General Fund Balance, subject to influences from Government grants.

The County Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure.

The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns.

At 31 March 2011 the County Council held no variable rate borrowings, but held 62% (£96.5m) of it's investment portfolio in variable rate call accounts, 30-day notice accounts and money market funds.

Total interest of £0.9m has been charged to the Comprehensive Income and Expenditure Statement in respect of the Council's variable rate investments, representing a 0.90% interest rate of return on an average investment portfolio of £102.9m. If interest rates had been 1% higher the financial impact would have been a £1.0m increase in interest charged to the Comprehensive Income and Expenditure Statement.

Price risk

The Council, excluding the pension fund, does not invest in equity shares but does hold Government/Local Authority Bonds to the value of £4,472. These bonds are classified as Available-for-Sale, meaning that all movements in price will impact on gains and losses recognised in the Comprehensive Income and Expenditure Statement.

Foreign exchange risk

The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

11. Financial Instrument Impairment

Early in October 2008, the Icelandic banks Landsbanki, Kaupthing and Glitnir collapsed and the UK subsidiaries of the banks, Heritable and Kaupthing Singer and Friedlander went into administration. The authority had £12.9m deposited in Heritable, with varying maturity dates and interest rates. The anticipated cash loss, calculated as £2.58m, was recognised in the Income and Expenditure Account for 2008/09.

Further impairments will be made only if the administrator's reports suggest the 2008/09 charge is inadequate. This accounting treatment does not comply with Local Authority Accounting Bulletin (LAAP) 82, which allows losses to be spread over several years. The County Council's policy is therefore more prudent than LAAP 82.

The position with regard to Heritable investments at 31 March 2011 is summarised below:

	£'000
Original investment	12,900
Loan impairment recognised in 2008/09	-2,580
Dividend repayments (x3) received 2009/10	-4,546
4th dividend received 16 July 2010 (6.27 pence in the £)	-816
5th dividend received 18 October 2010 (4.14 pence in the £)	-538
3rd dividend received 14 January 2011 (4.72 pence in the £)	-613
Heritable balance to recover	3,807

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12. Assets Held for Sale

	Current Assets 2009/10 £000	Current Assets 2010/11 £000
Balance outstanding at start of year	20	1,500
Assets newly classified as held for sale:		
Property, Plant and Equipment	1,245	9,514
Intangible Assets	0	0
Other assets / liabilities in disposal groups	0	0
Revaluation losses	0	-1,374
Revaluation gains	242	813
Impairment losses	0	0
Assets declassified as held for sale:	0	0
Property, Plant and Equipment	0	0
Intangible Assets	0	0
Other assets / liabilities in disposal groups	0	0
Assets sold	-7	-849
Balance outstanding at year-end	**1,500**	**9,604**

13. Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO/weighted average costing formula.

	At 31 March 2009	At 31 March 2010	At 31 March 2011
Work in progress	£'000	£'000	£'000
Central Printing Unit 1	26	0	0
	26	0	0
Consumables and Maintenance Materials			
Corporate Products	15	11	11
Office Services Franking 1	70	22	0
Education	54	7	8
Highways	8	8	8
ICTS	20	46	46
Fire Brigade Uniforms & equipment	133	147	166
Central Supplies	12	12	12
Others	33	34	34
	345	286	285
TOTAL	**371**	**286**	**285**

1 Comparators includes Central Printing Unit Stock – function no longer provided

14. Short-Term Debtors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
9,633	16,191	Central government bodies	13,439
5,787	3,867	Other local authorities and NHS bodies	5,293
0	0	Public corporations and trading funds	0
26,107	27,282	Other entities and individuals	43,122
41,527	**47,340**	**Total**	**61,854**

15. Cash and Cash Equivalents

The balance of Cash and Cash Equivalents is made up of the following elements:

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
348	75,090	Cash held by the Authority	96,577
-9,598	-7,234	Bank current accounts	-3,850
0	0	Short-term deposits with building societies	0
***-9,250**	**67,856**	**Total Cash and Cash Equivalents**	**92,727**

* Classed as "Cash Overdrawn" on the balance sheet under the IFRS Code.

16. Short-Term Creditors

1 April 2009 £000	31 March 2010 £000		31 March 2011 £000
-15,933	-14,292	Central government bodies	-11,444
-43,365	-35,556	Other local authorities and NHS bodies	-2,013
0	0	Public corporations and trading funds	0
-53,017	-59,018	Other entities and individuals	-71,616
-112,315	**-108,866**	**Total**	**-85,073**

17. Provisions

Long-Term	Balance at 1 April 2010 £000	Change £000	Balance at 31 March 2011 £000
Education	7,260	-592	6,668
Insurance	9,276	525	9,801
Tax Liabilities	155	5	160
Fire Service	213	87	300
Millennium Provision	48	0	48
Wastes Management	10,715	378	11,093
Education Change Plan	393	-248	145
Midhurst Academy	0	150	150
Teachers Pension Scheme	0	181	181
Total	**28,060**	**486**	**28,546**

Short-Term	Balance at 1 April 2010 £'000	Change £'000	Balance at 31 March 2011 £'000
Education	382	-33	349
Insurance	969	113	1,082
Wastes Management	714	-24	690
Human Resources	15	-5	10
Pagham Harbour	0	46	46
Write Off provision	0	164	164
May Gurney	0	600	600
Fire Service	0	131	131
Restructure Provision	0	6,036	6,036
Employee Benefit	12,643	-1,988	10,655
Total	**14,723**	**5,040**	**19,763**
Grand Total	**42,783**	**5,526**	**48,309**

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17. Provisions (cont.)

- Education and Wastes Management provisions are made for setting aside PFI credits to fund future unitary payments on PFI projects for Crawley Schools and Recycling and Waste Handling, respectively. Also, for education Academies provision has been removed as no longer on balance sheet.

- The insurance provision is maintained to meet claims and liabilities related to the partial self-funding of the County Council's insurance including Property, Vehicle and Liability risks. The balance represents unpaid claims estimated at the 31 March 2010. This provision has been reconciled to remove amounts for part-settled claims.

- Provision is made for past liabilities for tax as a result of issues raised by HM Revenue and Customs Audits. HMRC visit unannounced (although normally annually) and liabilities can be raised against the Authority going back four years.

- The Fire Service provision relates to the Continuing Professional Development scheme of firefighters as part of new pay and conditions and for minor improvements. Legislation for new pay and conditions has not yet been passed, therefore, the spending of the provision is yet to be finalised; the expectation would be in 2011/12.

- The Millennium provision is maintained to fund two specific projects, as yet unfinished, that were funded as part of the millennium celebrations.

- Education Change Plan provision is for Children and Young People Services projects where change is needed. This is going to be used for the Children's element of the new software system – Frameworki, which started in 2010/11 with slippage and further costs being incurred in 2011/12.

- Midhurst Academy provision is for 125-year lease of £1,200 per annum VAT. Her Majesty's Revenue and Customs view this as a new business activity of the County Council (as we would be deemed to be providing a service as "additional consideration" to the peppercorn rent under the main 125 year lease).

- Teachers Pension Provision is for the additional pension liabilities associated with early retirements resulting from voluntary redundancy.

- Restructure Provision is for the liability, under IAS37, associated with voluntary redundancy costs from the restructure of the County Council and the resultant reduced workforce.

- The employee benefit provision is for accrued leave not taken at balance sheet date (under module 6 of the Code).

- The Write Off provision is for possible significant write off's that have been identified in 2010/11 and will not be written off until 2011/12 due to continued negotiations between Legal Services and the relevant debtors.

- Cessation Valuation Report dated January 2010 showed a cessation payment as being required to May Gurney on the cessation date of 30 June 2011. The Cessation Valuation Report is an estimate and the final assessment will only be carried out after the cessation date. This would use updated financial assumptions and membership figures as at the cessation date.

- The Pagham provision is for a car park at the end of Pagham Harbour Road that the Council leases, as part of the nature reserve. The council and may be liable if it is closed, subject to a decision being made in 2011/12.

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18. Private Finance Initiatives and Similar Contracts

Crawley Schools PFI

In January 2004 the County Council entered into a 30 year PFI contract with Crawley Schools Ltd for the provision of three new/replacement secondary schools in Crawley, which were all open as at 31st March 2011. The contractor is responsible for maintaining and operating the buildings for the duration of the contract.

The Unitary Charge is net of capital contributions of £28.6m that were paid by the County Council in 2004/05 and 2005/06, and offset by government grant linked to notional credit approvals of £131m, which is payable over the period of the contract. The balance of the Unitary Charge is met by contributions from schools' delegated budgets.

During 2008/09 the facilities at Thomas Bennett have been developed and incorporated into an extension of the PFI agreement with Crawley Schools Ltd. The unitary charge payment increased in 2009/10 to reflect the extended facilities coming into use and will be met by government grant and contributions from the school's delegated budgets.

Recycling and Waste Handling PFI

In March 2004 the County Council entered into a 25-year PFI contract with Viridor Waste Management Ltd for recycling and waste handling. The annual charge is offset by government grant linked to notional credit approvals of £25m, with the balance being funded from the waste management budget.

Street Lighting PFI

In December 2009 the County Council reached financial close on a 25-year contract with Tay Valley Lighting for the provision and maintenance of streetlights. The contract commenced on 1 April 2010. The annual charge is offset by government grant linked to notional credit approvals of £78.5m, with the balance being funded from the Highways and Transport budget. For further details see note (iii) below.

Note (i) – Value of Assets held under PFI contract

	Opening Balance 1.4.2010	Additions	Dep'n	Reval'n	Closing Balance 31.3.2011
	£'000s	£'000s	£'000s	£'000s	£'000s
Crawley Schools PFI					
Ifield Community College	22,482	59	-410	0	22,131
Thomas Bennett C. C.	16,477	124	-302	0	16,299
Oriel High School	17,515	129	-327	0	17,317
Recycling & Waste PFI					
Infrastructure	13,765	0	-483	0	13,282
Plant and Equipment	3,152	2,085	-841	-1,694	2,702
Street Lighting PFI	0	2,163	0	0	2,163
Total PFI Assets	73,391	4,560	-2,363	-1,694	73,894

Note (ii) – Value of Liability resulting from PFI Contract

	Opening Balance 1.4.2010	Increase due to Investment	Repayment of Liability	Closing Balance 31.3.2011
	£'000s	£'000s	£'000s	£'000s
Crawley Schools PFI	-35,185	0	1,681	-33,504
Recycling & Waste PFI	-22,492	-2,085	-298	-24,875
Street Lighting PFI	0	-2,163	2,659	496
Total Liability	-57,677	-4,248	4,041	-57,883

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Note (iii) – Payments due under PFI Contracts (inc. Street Lighting PFI)

	Repayment of Liability	Interest	Service Charges
	£'000s	£'000s	£'000s
Within one year	4,414	3,724	18,855
Within two to five years	13,140	32,061	82,791
Within six to ten years	19,999	46,047	121,763
Within eleven to fifteen years	30,373	39,048	144,879
Within sixteen to twenty years	41,771	26,651	116,958
Within twenty one to twenty five years	40,390	8,722	45,764

19. Leases

Authority as Lessee

Finance Leases

The Council has acquired a number of buildings vehicles under finance leases. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

31 March 2010		31 March 2011
£000		£000
2,008,847	Other Land and Buildings	1,863,911
2,494,673	Vehicles, Plant, Furniture and Equipment	1,945,805
4,503,520		3,809,716

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the property acquired by the Authority and finance costs that will be payable by the Authority in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

31 March 2010		31 March 2011
£000		£000
4,905,173	Finance Lease Liability	4,214,156
1,901,179	Finance costs payable in future years	1,657,955
6,806,352	Minimum lease payments	5,872,111

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31 March 2011	**31 March 2010**	**31 March 2011**	**31 March 2010**
	£000	£000	£000	£000
No later than one year	777,136	934,241	568,136	691,017
Later than one year and not later than five years	2,435,975	2,636,763	1,851,126	1,955,364
Later than five years	2,659,000	3,235,348	1,794,894	2,258,792
	5,872,111	6,806,352	4,214,156	4,905,173

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

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Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
463	Amounts from previous year	424
1,528	Not later than one year	1,196
921	Later than one year and not later than five years	736
0	Later than five years	0
2,912		2,356

Authority as Lessor

Finance Leases

The Authority has leased out ten properties on finance leases. The Authority has a gross investment in the leases, made up of the minimum lease payments expected to be received over the remaining term and the residual value anticipated for the properties when the lease comes to an end.

The minimum lease payments comprise the long-term debtor for the interest in the property acquired by the lessee and the finance income that will be earned by the Authority in future years whilst the debtor remains outstanding. The gross investment is made up of the following amounts:

31 March 2010 £000		31 March 2011 £000
758,920	Finance lease debtor	754,402
1,464,153	Unearned finance income	1,426,207
0	Unguaranteed residual value of property*	0
2,223,073	Gross investment in the lease	2,180,609

* Due to the length of the leases the assumption is that there is no residual value at the end of term

The gross investment in the lease and the minimum lease payments will be received over the following periods:

	Gross Investment in the Lease		Minimum Lease Payments	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
No later than one year	42,464	42,464	4,744	4,518
Later than one year and not later than five years	168,457	169,157	20,035	19,747
Later than five years	1,969,689	2,011,453	729,623	734,655
	2,180,610	2,223,074	754,402	758,920

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Operating Leases

The future minimum lease payments receivable under non-cancellable leases in future years are:

31 March 2010 £000		31 March 2011 £000
1,265	Amounts from previous year	1,112
1,070	Not later than one year	854
2,347	Later than one year and not later than five years	1,994
0	Later than five years	7
4,682		3,967

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

20. Defined Benefit Pension Schemes

In accordance with International Accounting Standard (IAS19), West Sussex County Council is required to disclose certain information concerning assets, liabilities, income and expenditure related to pension schemes for its employees. There are no such assets or liabilities in respect of the teachers' pension scheme as it is operated by the Department for Children, Schools and Families.

The balance sheet figure for liability and reserves of £438.7m is made up of £228.7m for Local Government Pension Scheme members, £190.4m for Uniformed Firefighters and £19.6m for Injury Liabilities for Firefighters.

The Council's independent actuary to the Pension Fund, namely Hymans Robertson LLP, has produced the information.

Local Government Pension Scheme:

West Sussex County Council participates in the Local Government Pension Scheme and acts as an Administering Authority. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary available to staff excluding teachers and fire fighters.

The amount of employer contributions paid by the County Council into the pension fund, and as a percentage of pensionable pay, is shown in the table below. This is based on triennial actuarial valuations carried out by the fund's actuary. The most recent one was carried out as at April 2008 and determines the contribution rate.

Under pension fund regulations, contribution rates were set to meet 100% of the overall liabilities of the fund, and to recover deficits relating to previous years when 75% funding applied. In addition, the County Council is responsible for all pension payments relating to added years benefits it has awarded, together with the related increases.

The latest formal valuation was carried out for April 2008, and has been updated by independent actuaries to the West Sussex County Council Pension Fund to take account of the requirements of IAS19 in order to assess the liabilities of the Fund at 31 March 2011. Liabilities are valued on an actuarial basis using the projected unit method, which assesses the future liabilities discounted to their present value.

The main actuarial assumptions used for the purposes of IAS19 are as follows:

	31 March 2011	**31 March 2010**
Pension increase rate	2.8%	3.8%
Salary increase rate *	5.1%	5.3%
Expected return on assets	6.9%	7.2%
Discount rate	5.5%	5.5%

*Salary increases are 1% p.a. nominal for the year to 31 March 2012 reverting to 5.1% thereafter.

Breakdown of the expected return on assets by category

	31 March 2011	**31 March 2010**
Rate of return on Equities	7.5%	7.8%
Rate of return on Bonds	4.9%	5.0%
Rate of return on Property	5.5%	5.8%
Rate of return on Other assets	4.6%	4.8%

Mortality

Life expectancy is based on the Fund's VitaCurves with improvements in line with 80% of CMIB's Medium Cohort subject to a 10-year lag with minimum improvements of 1% p.a. from 2010. Based on these assumptions, the average future life expectancies at age 65 is summarised below:

	Males	Females
Current Pensioners	22.7 years	24.2 years
Future Pensioners	24.3 years	26.4 years

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Historic mortality

Life expectancies for the below year-ends were based on the PFA92 and PMA92 tables. The allowance for future life expectancies are shown in the table below.

Year ended	Prospective Pensioners	Pensioners
31 March 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 2007	
31 March 2009	Calendar year 2033	Calendar year 2017
31 March 2008	Calendar year 2033	Calendar year 2017
31 March 2007	Calendar year 2017	Calendar year 2009

Age ratings are applied to the above tables based on membership profile.

Note: the allowance for future life expectancy has changed at this year-end. Refer to the Employer's 2010 report for historic average future life expectancies at age 65.

Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 75% of the maximum tax-free cash for post-April 2008 service.

Fair value of employer assets	31 March 2011 £'m	31 March 2010 £'m
Equities	667.1	612.6
Bonds	121.3	120.9
Property	60.6	48.4
Other	17.3	24.2
Total	**866.3**	**806.1**

The above asset values are at bid value as required under IAS19.

Details of the difference between the mid market and the bid value of assets for the Fund as a whole by have been estimated by the Actuary; the bid value of assets has had an adjustment of -0.4% applied to the Employer's mid market value asset share.

Balance Sheet	31 March 2011 £'m	31 March 2010 £'m
Fair Value of Employer Assets	866.3	806.1
Present Value of Funded Liabilities [1]	-1059.9	-1,338.5
Net under/over funding in Funded Plans	-193.6	-532.4
Present Value of Unfunded Liabilities [2]	-35.1	-34.3
Unrecognised Past Service Cost	0.0	0.0
Net Liability	-228.7	-566.7
Amount in Balance Sheet		
Liabilities	228.7	566.7

[1] the liability is estimated to comprise approximately £476,900,000, £159,300,000 and £423,700,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2011. The approximation involved in the roll forward model, the split of the liabilities between the three classes of member, is an approximation, however, the Actuary is satisfied that it provides a reasonable estimate of the aggregate liability.

[2] this liability comprises of approximately £12,500,000 in respect of LGPS unfunded pensions and £22,600,000 in respect of Teachers' unfunded pensions as at 31 March 2011. It is assumed that all unfunded pensions are payable for the remainder of the member's life.

It is further assumed that 90% of pensioners are married (or cohabiting) at death and that their spouse (co-habitee) will receive a pension of 50% of the member's pension as at the date of the member's death.

Note: following the Chancellor's budget statement on 22 June 2010 the calculations have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account.

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Recognition in the Comprehensive Income and Expenditure Account	**Year to 31 March 2011 £'000**	**% of pay**	**Year to 31 March 2010 £'000**	**% of pay**
Current Service Cost *	39,100	20.8	21,400	11.4
Interest Cost on Obligation	70,500	37.6	58,500	31.1
Expected Return on Employer Assets	-58,500	-31.2	-36,300	-19.3
Past Service Cost / (Gain) **	-126,600	-67.4	100	0.1
Loss on Curtailments & Settlements	2,200	1.2	2,700	1.4
Total included in "Member Costs"	-73,300	-39.0	46,400	24.7
Actual Return on Plan Assets	67,400		228,600	

* The service cost figures includes an allowance for administration expenses of 0.3% of payroll.

** The Past Service Cost figure for this year includes £50,000 in respect of efficiency and other early retirements and -£126,650,000 in respect of the changes to pension increases introduced in the Chancellor's budget statement, as referred to above.

Amounts Recognised in Statement of Recognised Income and Expense (was STRGL)	**Year to 31 March 2011 £'m**	**Year to 31 March 2010 £'m**
Actuarial Gains/Losses – Employer Assets	-12,400	192,200
Actuarial Gains/Losses - Obligation	236,400	-464,700
Actuarial Gain/Loss Recognised in Income and Expense	**224,000**	**-272,500**
Cumulative Actuarial Gain/Loss Recognised Income and Expense	**-122,100**	**-346,100**

Note: the Cumulative Actuarial Gains and Losses are based on the full available history of Actuarial Gains and Losses for the Employer.

Reconciliation of Defined Benefit Obligation	**Year to 31 March 2011 £'000**	**Year to 31 March 2010 £'000**
Opening Defined Benefit Obligation	**1,372,800**	**846,500**
Members' contributions	12,400	12,600
Liabilities Extinguished on Settlements	0	0
Current service cost	39,100	21,400
Past service costs	-126,600	100
Losses / (Gains) on Curtailments	2,200	2,700
Estimated Benefits Paid	-36,600	-31,600
Interest on pension scheme liabilities	70,500	58,500
Actuarial loss/gain	-236,400	464,700
Estimated Unfunded Benefits Paid	-2,400	-2,100
Closing Defined Benefit Obligation	**1,095,000**	**1,372,800**

Reconciliation of fair value of employer assets	**Year to 31 March 2011 £'000**	**Year to 31 March 2010 £'000**
Opening Fair Value of Employer Assets	**806,100**	**556,600**
Expected Return on Assets	58,500	36,300
Members' contributions	12,400	12,600
Employer' contributions	38,300	40,000
Contributions in respect of Unfunded Benefits	2,400	2,100
Actuarial Gains / (Losses)	-12,400	192,200
Assets Distributed on Settlements	0	0
Unfunded Benefits Paid	-2,400	-2,100
Benefits Paid	-36,600	-31,600
Closing Fair Value of Employer Assets	**866,300**	**806,100**

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Amounts for the current & previous accounting periods (year to 31 March)	2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Fair Value of Employer Assets	676,300	681,600	556,600	806,100	866,300
Present Value of Defined Benefit Obligation	-900,300	-848,700	-846,500	-1,372,800	-1,095,000
Surplus / (Deficit)	-224,000	-167,100	-289,900	-566,700	-228,700
Experience Gains / (Losses) on Assets	-12,400	-59,800	-193,100	192,200	12,400
Experience Gains / (Losses) on Liabilities	-100	-37,800	-1,400	500	124,100

The actuarial gain or loss (-) can be broken down as follows:

2009/2010 £'000		2010/2011 £'000
264,900	Actual return less expected return on assets	8,900
500	Experience gains arising on the scheme liabilities	124,100
-537,900	Effects of changes in assumptions relating to the current value of the scheme liabilities	91,000
-272,500		224,000

Uniformed firefighters:

The main actuarial assumptions used for the purposes of IAS19 are as follows:

	31 March 2011	31 March 2010	31 March 2009
Market derived RPI	3.6%	3.8%	3.1%
Salary increase rate	4.6%	5.3%	4.6%
Pension increase rate *	2.8%	3.8%	3.1%
Discount rate	5.5%	5.5%	6.9%

* Pension increases are assumed to be 0.8% p.a. less than market derived RPI

Mortality

Life expectancy is based on the SAPS tables with medium cohort improvements and a minimum improvement of 1% per annum applied from 2010. Based on these assumptions, average future life expectancies at age 60 are summarised below:

	Males	Females
Current Pensioners	27.9 years	30.8 years
Future Pensioners*	29.5 years	32.3 years

*Future pensioners are assumed to be age 45 as at 31 March 2011

Historic Mortality

Life expectancy for all of the below year-ends is based on the PFA92 and PMA92 tables. This shows the allowance for future improvements in mortality in the following table:

Year ended	Prospective Pensioners	Current Pensioners	Ill Health Pensioners
31 Mar 2010	Year of birth, medium cohort and 1% p.a. minimum improvements from 1992		Year of birth, medium cohort and 1% p.a. minimum improvements from 1992 +5 years
31 Mar 2009	Year of birth, medium cohort and 1% p.a. minimum improvements from 1992		Year of birth, medium cohort and 1% p.a. minimum improvements from 1992 +5 years
31 Mar 2008	Calendar year 2030 – 1 year	Calendar year 2020 – 1 year	Calendar year 2020 + 4 years
31 Mar 2007	Calendar year 2030 – 1 year	Calendar year 2020 – 1 year	Calendar year 2020 + 4 years
31 Mar 2006	Calendar year 2030 – 1 year	Calendar year 2020 – 1 year	Calendar year 2020 + 4 years

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Commutation

It is assumed that 90% of future retirements elect to exchange pension for additional tax-free cash up to HMRC limits.

Bulk transfers

No allowance has been made for any bulk transfer in this accounting period.

Balance Sheet	31 March 2011 £'m	31 March 2010 £'m
Active Liabilities	-75.3	-91.3
Deferred Pensioner Liabilities	-4.0	-5.3
Pension Liabilities	-111.1	-123.9
Present Value of Unfunded Liabilities [1]	- 190.4	- 220.5
Unrecognised Past Service Cost	0.0	0.0
Net Liability	-190.4	-220.5
Amount in Balance Sheet - Liabilities	190.4	220.5

[1] By assuming a stable membership profile the calculation of the value of the liabilities as at 31 March 2011 uses data provided to the Actuary as at 31 December 2010. The split of the liabilities between the three classes of member is an approximation, however, the Actuary is satisfied that it provides a reasonable estimate of the aggregate liability.

Balance Sheet	31 March 2011 £'m	31 March 2010 £'m
Contingent Injury Liability	-7.5	0
Injury Pension Liabilities	-12.0	-13.1
Total Injury Liabilities	- 19.5	- 13.1

Future injury retirements have been included as an allowance as requested by the Audit Commission. Please note that following the Chancellor's budget statement on 22 June 2010. The calculations have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the revenue account.

Recognition in the Comprehensive Income and Expenditure Account	Year to 31 March 2011 £'m	Year to 31 March 2010 £'m
Current Service Cost [1]	6,186	3,386
Interest Cost	11,773	10,941
Past Service Gain [2]	-25,135	0
Loss / Gain on Curtailments and Settlements	0	0
	-7,176	14,327

[1] The service cost contains no allowance for administration expenses

[2] The past service gain is in respect of the changes to pension increases introduced in the Chancellor's budget statement as discussed above.

Amounts Recognised in Statement of Recognised Income and Expense (was STRGL)	Year to 31 March 2011 £'m	Year to 31 March 2010 £'m
Actuarial Gains/Losses – Employer Assets	0	0
Actuarial Gains/Losses - Obligation	10,760	-65,416
Actuarial Gain/Loss Recognised in Income and Expense	**10,760**	**-65,416**
Cumulative Actuarial Gain/Loss Recognised Income and Expense	**-65,456**	**-76,216**

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Recognition of Defined Benefit Obligation	Year to 31 March 2011 £'m	Year to 31 March 2010 £'m
Opening Defined Benefit Obligation	**220,537**	**149,948**
Members' contributions	1,382	1,415
Transfers to/from other authorities	27	348
Current service cost	5,498	3,386
Past service costs/gain	-23,763	0
Pensions and lump sum expenditure	-6,521	-6,938
Interest on pension scheme liabilities	11,110	10,241
Actuarial loss/gain	-17,805	62,137
Closing Defined Benefit Obligation	**190,465**	**220,537**

Injury benefits		
Opening Defined Benefit Obligation	**13,131**	**9,752**
Current service cost	688	0
Injury Award Expenditure	-605	-600
Past service costs/gain	-1,372	0
Interest on obligation	666	700
Actuarial loss/gain	7,045	3,279
	19,553	**13,131**

Reconciliation of fair value of employer assets	Year to 31 March 2011 £'000	Year to 31 March 2010 £'000
Opening Fair Value of Employer Assets	**0**	**0**
Expected Return on Assets	0	0
Members' contributions	1,382	1,415
Employer' contributions	5,112	5,175
Transfers to/from other authorities	27	348
Actuarial Gains / (Losses)	0	0
Assets Distributed on Settlements	0	0
Pensions and lump sum expenditure	-6,521	-6,938
Closing Fair Value of Employer Assets	**0**	**0**

Reconciliation of fair value of employer assets in respect of injury pensions	Year to 31 March 2011 £'000	Year to 31 March 2010 £'000
Opening Fair Value of Employer Assets	**0**	**0**
Expected Return on Assets	0	0
Members' contributions	0	0
Contributions towards injury pensions	605	600
Transfers to/from other authorities	0	0
Actuarial Gains / (Losses)	0	0
Assets Distributed on Settlements	0	0
Pensions and lump sum expenditure	0	0
Injury Award Expenditure	-605	-600
Closing Fair Value of Employer Assets	**0**	**0**

The expected return on assets is based on the long-term future expected investment return for each class as at the beginning of the period (i.e. as at 31 March 2008, or date of joining the fund if later).

Amounts for the current & previous accounting year	Year ended 2007 £'000	2008 £'000	2009 £'000	2010 £'000	2011 £'000
Present Value of Defined Benefit Obligation	-181,500	-157,100	-159,700	-233,668	-210,018
Surplus / (Deficit)	-181,500	-157,100	-159,700	-233,668	-210,018
Experience Gains / (Losses) on Liabilities	1,400	3,800	1,800	384	5,292

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The actuarial gain or loss (-) can be broken down as follows:

2009/2010 £'000		2010/2011 £'000
384	Experience gains arising on the scheme liabilities	5,292
-65,800	Effects of changes in assumptions relating to the current value of scheme liabilities	5,468
-65,416		10,760

Teachers:

The County Council makes payments to the Department for Children, Schools and Families in respect of employer's contributions towards teachers' pensions. In addition, the County Council is responsible for all pension payments relating to added years it has awarded. The table below shows the cost in millions, and as a percentage of total pensionable pay:

2009/2010		2009/2010	2010/2011	
£'m	%		£'m	%
29.38	14.1	Employers contribution towards teachers' pension costs	29.62	14.1
1.85	0.9	Pension payments relating to added years	1.66	0.8

21. Pensions Schemes Accounted for as Defined Contribution Schemes

West Sussex County Council has no Pension Schemes accounted for as Defined Contribution Schemes.

22. Grant Income

The County Council credited the following grants to the Comprehensive Income & Expenditure Statement:

Grants credited to Services	2010/11 £000
Standards Fund	38,136
Sure Start Grant	16,448
School Standards Grant	20,336
Skills Funding Agency	53,177
Short Breaks	3,276
Dedicated School Grant	413,035
AIDS Support Grant	275
Child Asylum Seekers	722
Supporting People	702
Child Social Care Workforce	324
Asylum Seekers: Leaving Care	417
Social Care Reform	3,652
LD Campus Closure Programme	1,443
Handyperson Grant	220
Think Family Grant	480
Future Jobs fund	1,007
Contact Point (ISI)	125
PFI Grant Funding	12,470
Health Strategy and Delivery	125
SART / TRU	419
Stroke Awareness	271
Targeted Mental Health for schools	219
Regional Control Centres	368
Youth Opportunity Fund	557
Other	698
Total	**568,902**

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Grants credited to Taxation and Non Specific Grant Income		**2010/11**
	£000	£000
Area Based Grant		
Department for Environment, Food and Rural Affairs	55	
Home Office	873	
Department for Transport	1,966	
Department for Education	9,482	
Child Protection Unit	81	
Department for Health	13,434	
Communities and Local Government	14,709	
		40,600
Formula Grant		
Relative Needs Amount	101,119	
Relative Resource Amount	-124,720	
Central Allocation	111,696	
Floor Damping	10,598	
		98,693
Total		**139,293**

Grants credited to Capital Grants Receipts in Advance		**2010/11**
	£000	£000
Gypsy Improvement Grant	252	
Waste Infrastructure Grant	472	
Fire Service S106 Contributions	47	
Adults Service Grant and Contributions	1,645	
Highways and Transport S106 Contributions	5,156	
Library S106 Contributions	659	
DCSF Grant	35,299	
Other Children's Capital Grants	883	
Children's S106/developers grants	5,347	
School Contributions	768	
Other	284	
		50,812

23. Usable Reserves

Movements in the Authority's usable reserves are detailed in the Movement in Reserves Statement and detailed below:

Usable Reserves	Note	**Balance at 1 April 2010**	**Change in-year £'000**	**Balance at 31 March 2011 £'000**
General Fund Balance		**16,799**	**587**	**17,386**
Earmarked Reserves	3	**69,817**	**19,444**	**89,261**
Capital Receipts Reserve		**0**	**821**	**821**
Capital Grants Unapplied		**1,884**	**-1,585**	**299**
Total Usable Reserves		**88,500**	**19,267**	**107,767**

24. Unusable Reserves

1 April 2009 £000	**31 March 2010** £000		**31 March 2011** £000
-11,064	-12,643	Accumulated Absences Reserve	-10,655
164,873	192,362	Revaluation Reserve	212,523
1,184,288	1,196,460	Capital Adjustment Account	1,216,164
-2,427	-654	Collection Fund Adjustment Account	-20
-449,600	-800,368	Pensions Reserve	-438,718
763	763	Deferred Capital Receipts Reserve	758
886,833	**575,920**	**Total Unusable Reserves**	**980,052**

Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties and gains recognised on donated assets that have yet to be consumed by the Authority. The Account also contains revaluation gains accumulated on Property, Plant and Equipment before 1 April 2007, the date that the Revaluation Reserve was created to hold such gains. Note 2 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

2009/10	**Capital Adjustment Account**	**2010/11**	
£000		£000	£000
1,184,288	**Balance at 1 April**		**1,196,460**
	Reversal of items relating to capital expenditure debited/credited to the Comprehensive Income and Expenditure Statement:		
-46,632	Charges for depreciation on non current assets	-45,757	
-110	Charges for amortisation on intangible assets	-110	
-424	Assets removed under IFRS – re leases etc	0	
23,066	Revaluation losses on Property, Plant and Equipment	-14,160	
	Other movements in cost or valuation:		
-190	Structural maintenance	0	
-6,551	Other revaluation adjustments	0	
-367	Adjustment to opening balances - SAP system changes	0	
-2,139	Revenue expenditure funded from capital under statute	0	
-46,006	Amounts of non current assets written off on disposal or sale	-42,160	
0	Amounts of assets held for sale written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-849	
3,036	Adjusting amounts written out of the Revaluation Reserve	6,963	
-1,038	Changes following implementation of IFRS	0	
-48	Other adjustments (corrections to revaluation reserve) *	0	
-77,403		-96,073	
0	Adjusting amounts written out of the Revaluation Reserve	0	
-77,403	Net written out amount of the cost of non current assets consumed in the year		-96,073
	Capital financing applied in the year:		
6,254	Receipts from disposal of property and other assets applied	9,613	
48,869	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	80,630	
17,274	Application of grants to capital financing from the Capital Grants Unapplied Account	1,585	
15,129	Statutory provision for the financing of capital investment charged against the General Fund balance	26,010	
0	Waste PFI Lifecycle Replacement prepayment	-3,132	
778	Finance Lease debtor through deferred capital receipts	691	
476	Revenue contribution to capital	380	
88,780			115,777
793	Movements in the market value of Investment Properties debited/credited to the Comprehensive Income & Expenditure Statement		0
2	Other Adjustments		0
1,196,460	**Balance at 31 March**		**1,216,164**

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

2009/10	**Revaluation Reserve**	**2010/11**	
£000		£000	£000
164,873	**Balance at 1 April**		**192,362**
36,294	Upward revaluation of assets	31,041	
-6,855	Downward revaluation of assets and revaluation losses not charged to the Surplus/Deficit on the Provision of Services	-3,917	
29,439	Surplus of deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**27,124**
-1,538	Difference between fair value depreciation and historical cost depreciation	-1,941	
48	Corrections to revaluation reserve *	0	
1,038	Changes in treatment of revaluation losses under IFRS	0	
-1,498	Accumulated gains on assets sold or scrapped	-5,022	
-1,950	Amount written off to the Capital Adjustment Account		**-6,963**
192,362	**Balance at 31 March**		**212,523**

* Note: as per UK GAAP statements 2009/10

Accumulated Absences Account

The Accumulated Absences Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for compensated absences earned but not taken in the year, e.g. annual leave entitlement carried forward at 31 March. Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

2009/10		**2010/11**	
£000		£000	£000
-11,064	**Balance at 1 April**		**-12,643**
11,064	Settlement or cancellation of accrual made at end of the preceding year	12,643	
-12,643	Amounts accrued at the end of the current year	-10,655	
-1,579	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		**1,988**
-12,643	**Balance at 31 March**		**-10,655**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

2009/10		2010/11
£000		£000
763	**Balance at 1 April**	**763**
0	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0
0	Transfer to the Capital Receipts Reserve upon receipt of cash	-5
763	**Balance at 31 March**	**758**

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council taxpayers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

2009/10		2010/11
£000		£000
-2,427	**Balance at 1 April**	**-654**
1,773	Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	634
-654	**Balance at 31 March**	**-20**

Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2009/10		2010/11
£'000		£'000
-449,600	**Balance at 1 April**	-800,368
-337,916	Actuarial gains or losses on pensions assets and liabilities	234,760
-33,141	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	-23,776
0	Exceptional items - Change from RPI to CPI	151,735
20,289	Employer's pensions contributions and direct payments to pensioners payable in the year	-1,069
-800,368	**Balance at 31 March**	**-438,718**

25. Exceptional Items

Following the Chancellor's budget statement on 22 June 2010 the pension fund calculations have been based on future pension increases being linked to the Consumer Prices Index (CPI) and not the Retail Prices Index (RPI). The effect of this change comes through as a negative past service cost item in the Comprehensive Income and Expenditure account as an exceptional item of -£151.7m.

26. Other Operating Expenditure

2009/10 £000		2010/11 £000
0	Parish council precepts	0
261	Levies	265
0	Payments to the Government Housing Capital Receipts Pool	0
39,738	(Gain) / losses on the disposal of non current and other assets	36,122
15	(Profit) / loss on sale of assets	-3,579
0	Profit on disposal previously recognised	32
351	Assets removed under IFRS – re leases etc	0
40,365	**Total**	**32,840**

27. Financing and Investment Income and Expenditure

2009/10 £000		2010/11 £000
-3,276	Interest receivable and similar income	-1,775
19,442	Interest payable and similar charges	20,017
33,141	Pensions interest cost and expected return on pensions assets	23,776
-953	Income relating to investment properties & changes in their fair value	-157
0	Other investment income	0
48,354	**Total**	**41,861**

28. Taxation and Non Specific Grant Income

2009/10 £000		2010/11 £000
-367,178	Council tax income	-378,620
-79,062	Non domestic rates	-86,179
-33,298	Non-ringfenced government grants	-40,500
-18,249	Revenue Support Grant	-12,514
-48,869	Capital grants and contributions	-80,630
-546,656	**Total**	**-598,443**

29. Material items of Income and Expense

There are no material items of income and expense to disclose that are not on the face of the Comprehensive Income and Expenditure account.

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30. Dedicated Schools Grant

Primarily grant monies provided by the Department for Education, the Dedicated Schools Grant (DSG), fund the County Council's expenditure on schools. DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2008. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2010/11 are as follows:

	Central Expenditure	ISB	Total
A Final DSG for 2010/11			413,035
B Plus Brought forward from 2009/10			1,860
C Less Carry forward to 2011/12 agreed in advance			-682
D Agreed budgeted distribution in 2010/11	38,062	376,151	414,213
E Less Actual central expenditure	-36,655		
F Less Actual ISB deployed to schools		-375,772	
G Plus Local authority contribution for 2010/11	0	0	0
H Carry forward to 2011/12	**1,407**	**379**	**1,786**
C Carry forward to 2011/12 agreed in advance			**682**
TOTAL CARRY FORWARD TO 2011-2012			**2,468**

Notes:

A: DSG figure as issued by the Department for Education on 1 July 2010.
C: Of the DSG brought forward from 2009/10 some allocations were made to schools and central expenditure during the year, leaving a balance to be carried forward for consideration in 2011/12 budget allocations.
D: The agreed budget distribution reflects both the starting position and the movement of central funds to schools during the course of the year.
F: The ISB is regarded for DSG purposes as being spent by the authority when it is deployed to a school's budget share

31. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2009/10	2010/11
	£000	£000
Total fees payable in respect of Audit Commission services	**301**	**290**

32. Environment Agency Services

Precepts payable to the Environment Agency in respect of flood defence for 2010/11 totalled £0.265m.

33 Acquired and Discontinued Operations

During 2010/11 the council did not acquire or discontinue any operations.

34. Construction Contracts

The County Council has undertaken no construction contracts for third parties.

35. Trading Operations

During 2010/11 the council did not operate any trading operations.

36. Road Charging Schemes under the Transport Act 2000

During 2010/11 the council did not have any schemes under the Transport Act 2000.

37. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Best Value Accounting Code of Practice.

However, decisions about resource allocation are taken by the Authority's Cabinet on the basis of budget reports analysed across Services.

These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve and amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year
- expenditure on some support services is budgeted for centrally and not charged to Services.

The income and expenditure of the Authority's principal Services recorded in the budget reports for last year is as follows (the 2010/11 analysis can be found in the body of the main Financial Report).

Service Income and Expenditure 2010/11 Comparative Figures

	Adults' Services	Children and Families	Highways & Transport and Deputy Leader	Environment & Economy	Finance & Resources	Leader	Public Protection	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Government grants	-7,226	-551,591	-3,131	-5,886	-92	0	-976	-568,902
Reimbursements & Other income	-60,796	-54,854	-8,940	-4,221	-16,396	-143	-7,977	-153,327
Fees, charges & other service income	-35,377	-10,190	-2,127	-4,669	-894	-1	-1,723	-54,981
Total Income	-103,399	-616,635	-14,198	-14,776	-17,382	-144	-10,676	-777,210
Employee expenses	42,548	450,986	11,858	12,818	49,623	1,156	32,883	601,872
Premises Expenses	1,444	40,686	2,319	3,165	6,498	1	1,427	55,540
Transport Expenses	2,671	18,400	660	2,159	767	9	1,218	25,884
Supplies and Services Expenses	10,044	76,919	11,864	1,990	26,570	523	3,510	131,420
Third Party & Transfer Payments	218,697	95,969	41,870	7,967	4,112	5	7,599	376,219
Other service expenses	4,177	16,223	163	21,082	25	0	11	41,681
Support service recharges	23,026	24,501	5,197	1,507	-60,533	-1,669	3,878	-4,093
Total Expenditure	302,607	723,684	73,931	50,688	27,062	25	50,526	1,228,523
Net Expenditure	199,208	107,049	59,733	35,912	9,680	-119	39,850	451,313

Reconciliation of Service Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	**2010/11**
	£000
Net expenditure in the Service Analysis	451,313
Net expenditure of services and support services not included in the Analysis	45,867
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	-134,845
Amounts in the Analysis not included in the Comprehensive Income & Expenditure Statement	-108
Cost of Services in the Comprehensive Income and Expenditure Statement	362,227

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This reconciliation shows how the figures in the analysis of Service income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

<u>Reconciliation to Subjective Analysis</u>

This reconciliation shows how the figures in the analysis of Service income and expenditure relate to a subjective analysis of the Surplus on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

This is detailed as follows:

2010/11	**Service Analysis**	**Services and Support Services not in Analysis**	**Amounts not reported to management for decision making**	**Amounts not included in Comprehensive Income & Expenditure Statement**	**Allocation of Recharges**	**Cost of Services**	**Corporate Amounts**	**Total**
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-54,981	0	0	0	0	-54,981	0	-54,981
Reimbursements & Other Income	-156,473	0	0	0	0	-156,473	-80,630	-237,103
Interest and investment income	0	0	0	0	0	0	-24,369	-24,369
Income from council tax	0	0	0	0	0	0	-378,620	-378,620
Government grants and contributions	-568,902	0		0	0	-568,902	-139,294	-708,196
Total Income	-780,356	0	0	0	0	-780,356	-622,913	-1,403,269
Employee expenses	601,873	0	-151,704	0	0	450,169	33,200	483,369
Other service expenses	629,796	0	2,699	-108	0	632,387	13,077	645,464
Support service recharges	0	0	0	0	0	0	0	0
Depreciation, amortisation and revaluation loss	0	45,867	14,160	0	0	60,027	0	60,027
Interest payments	0	0	0	0	0	0	20,054	20,054
Precepts & Levies	0	0	0	0	0	0	265	265
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	32,575	32,575
Total Expenditure	1,231,669	45,867	-134,845	-108	0	1,142,583	99,171	1,241,755
Surplus or deficit on the provision of services	451,313	45,867	-134,845	-108	0	362,227	-523,742	-161,515

GENERAL FUND BALANCE RECONCILIATION (see movement in reserves)	£'000
Comprehensive Income and Expenditure Statement	-161,515
Adjustments between Accounting basis and Funding Basis under Regulation	141,484
Transfer to and from Earmarked Reserves	19,444
TOTAL (taken to General Fund)	-587

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2009/10 Comparatives	Service Analysis	Services and Support Services not in Analysis	Amounts not reported to management for decision making	Amounts not included in Comprehensive Income & Expenditure Statement	Allocation of Recharges	Cost of Services	Corporate Amounts	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	-53,542	0	0	0	0	-53,542	0	-53,542
Reimbursements & Other Income	-149,842	0	0	0	0	-149,842	-48,869	-198,711
Interest & investment income	0	0	0	0	0	0	-4,068	-4,068
Income from council tax	0	0	0	0	0	0	-367,178	-367,178
Government grants and contributions	-567,011	0		0	0	-567,011	-130,608	-697,619
Total Income	-770,395	0	0	0	0	-770,395	-550,723	-1,321,118
Employee expenses	587,470	0	0	0	0	587,470	33,141	620,611
Other service expenses	630,935	0	2,800	-101	0	634,664	631	634,295
Support service recharges	0	0	0		0	0	0	0
Depreciation, amortisation and revaluation loss	0	46,742	-15,963	0	0	30,779	-513	30,266
Interest payments	0	0		0	0	0	19,161	19,161
Precepts & Levies	0	0	0	0	0	0	262	262
Payments to Housing Capital Receipts Pool	0	0	0	0	0	0	0	0
Gain or Loss on Disposal of Non Current Assets	0	0	0	0	0	0	40,104	40,104
Total Expenditure	1,218,435	46,742	-13,163	-101	0	1,251,913	92,786	1,344,699
Surplus or deficit on the provision of services	448,040	46,742	-13,163	-101	0	481,518	-457,937	23,581

38. Officers' Remuneration

The Authority's employees (including senior employees) receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

2009/10		Banding	**2010/11**	
Non schools	School based		Non schools	School based
110	158	£50,000 - £54,999	127	179
86	93	£55,000 - £59,999	91	100
32	48	£60,000 - £64,999	40	63
11	25	£65,000 - £69,999	16	29
5	11	£70,000 - £74,999	10	15
9	8	£75,000 - £79,999	7	8
5	6	£80,000 - £84,999	5	10
3	7	£85,000 - £89,999	2	7
1	4	£90,000 - £94,999	1	6
4	0	£95,000 - £99,999	6	2
3	2	£100,000 - £104,999	3	1
5	1	£105,000 - £109,999	2	2
1	0	£110,000 - £114,999	1	1
1	2	£115,000 - £119,999	1	0
2	1	£120,000 - £124,999	1	0
0	0	£125,000 - £129,999	1	0
0	0	£130,000 - £134,999	1	1
0	0	£135,000 - £139,999	0	0
0	0	£140,000 - £144,999	0	0
0	0	£145,000 - £149,999	0	0
1	0	£150,000 - £154,999	0	0
0	0	£155,000 - £159,999	0	0
1	0	£160,000 - £164,999	0	0
1	0	£165,000 - £169,999	0	0
0	0	£170,000 - £174,999	1	0
0	0	£175,000 - £179,999	1	0
0	0	£180,000 - £184,999	1	0
		then		
1	0	£220,000 - £224,999	0	0
		then		
0	0	£285,000 - £289,999	1	0
		then		
0	0	£370,000 - £374,999	1	0
282	**366**	TOTAL	**320**	**424**

Note: The increase, from 648 to 744, in the above table is mainly represented by an increased volume of loss of office payments as a result of the Council's organisational restructure in 2010/11, compared to 2009/10.

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The remuneration paid to the Authority's senior employees is as follows:

		Amounts payable in period 1 April 2010 - 31 March 2011								Amounts payable in period 1 April 2009 - 31 March 2010							
Post title (as at 31 March 2011)	Post holder (Chief Executive's Board only)	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	remuneration (excluding pension contributions) [1] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**	Salary, fees and allowances £	Bonuses £	Expense allowances £	Compensation for loss of employment £	Benefits in Kind £	remuneration (excluding pension contributions) [1] £	Employer's pension contribution £	**Total remuneration (including pension contributions) £**
Chief Executive [2]	Kieran Stigant	164,905		9,046		926	174,877	32,816	**207,693**	150,771				3,020	153,791	29,551	**183,342**
Chief Executive [3]	Mark Hammond	232,408		1,991	140,000		374,398	22,834	**397,232**	219,486		3,965			223,451	43,019	**266,470**
Executive Director Adults & Children [4]	John Dixon	97,417			188,963		286,380	19,386	**305,766**	167,001		2,432			169,433	32,732	**202,165**
Executive Director Customers & Change	Diane Ashby	126,431					126,431	25,160	**151,591**	104,653					104,653	20,512	**125,165**
Executive Director Finance & Performance	Richard Hornby	132,453					132,453	26,355	**158,808**	117,335					117,335	22,998	**140,333**
County Fire Officer		120,000					120,000	25,560	**145,560**	120,000					120,000	25,560	**145,560**
Director FSR Programme [5]		49,531					49,531	9,857	**59,387**	99,061				26	99,087	19,416	**118,503**
Director of Adults' Services		105,000				157	105,157	20,895	**126,052**	105,000				134	105,134	20,580	**125,714**
Director of Business Change		92,892		3,024			95,916	18,486	**114,402**	85,306		2,817			88,123	16,563	**104,686**
Director of Children's Services		111,250				3	111,253	22,139	**133,392**	105,000				18	105,018	20,580	**125,598**
Director of Commercial Services		105,000				8	105,008	20,895	**125,903**	105,000					105,000	20,580	**125,580**
Director of Communities & Infrastructure		101,536				7	101,543	20,206	**121,748**	99,061					99,061	19,416	**118,477**
Director of Learning		104,000					104,000	20,696	**124,696**	104,000		313		1,543	105,857	20,384	**126,240**
Director of Resources & Performance		120,000					120,000	23,880	**143,880**	120,000					120,000	23,520	**143,520**
Director Operations Infrastructure [6]		70,568		7,792	106,389	219	184,968	113,532	**298,500**	99,061				3,385	102,446	19,416	**121,862**
Director Policy & Partnerships [7]		76,692			98,066	324	175,083	174,754	**349,837**	99,061		7,452		2,090	108,603	19,416	**128,019**
Head of Capital & Asset Management		95,559				32	95,591	19,016	**114,607**	95,559				60	95,619	18,729	**114,349**
Head of Communications & Marketing		76,000				6	76,006	15,124	**91,130**	76,000				4	76,004	14,896	**90,900**
Head of Customer Services		78,292					78,292	15,580	**93,872**	78,292				16	78,308	15,345	**93,654**
Head of Finance [8]		72,693					72,693	14,466	**87,159**	5,954					5,954	1,167	**7,120**
Head of Human Resources		85,000				14	85,014	16,915	**101,929**	76,250				7	76,257	14,945	**91,202**
Head of Internal Audit		62,271				37	62,308	12,392	**74,700**	62,079				28	62,107	12,167	**74,275**
Head of Legal & Democratic Services		89,000					89,000	17,711	**106,711**	85,581					85,581	16,774	**102,355**
Head of Performance & Business Improvement		78,292					78,292	15,580	**93,872**	78,292					78,292	15,345	**93,637**
Head of Planning & Partnerships		72,500		6,081		2,338	80,919	14,427	**95,347**	72,500				3,473	75,973	14,210	**90,183**
Head of Resources & Performance [9]		13,470					13,470	2,471	**15,941**	78,292					78,292	15,345	**93,637**
Head of Safeguarding		78,292				193	78,485	15,580	**94,066**	78,292				120	78,412	15,345	**93,757**
Head of Strategic Partnerships [10]		55,856			36,090	32	91,977	58,916	**150,894**	78,409				45	78,454	15,368	**93,823**

As part of joint working arrangements with local health authorities, the County Council has two additional posts in its senior management team. These posts are the Director of Joint Commissioning and the Director of Public Health, Wellbeing & Safeguarding

1 This column excludes employer's pension contributions from the definition of remuneration, and as such can be read in conjunction with the Officers' Remuneration banding disclosure at the start of this note.
2 Appointed Chief Executive 18 October 2010 (previously Executive Director Customers & Communities).
3 In post until 30 September 2010.
4 In post until 31 October 2010.
5 In post until 30 September 2010.
6 In post until 17 December 2010.
7 In post until 9 January 2011.
8 Appointed 1 March 2010.
9 In post until 28 May 2010.
10 In post until 12 November 2010.

39. Members' Allowances

The Authority paid the following amounts to members of the council during the year.

	2009/10	2010/11
	£000	£000
Basic Allowances	773.0	780.9
Other Allowances	389.2	373.9
Travel and Subsistence	126.6	123.9
Total	**1,288.8**	**1,278.7**

40. Termination Benefits

The authority terminated, or made provision to terminate, the contracts of a number of employees in 2010/11. Including enhancement of retirement benefits, total liabilities of £10.413m were incurred (£6.651m in 2009/10). Included in this 2010/11 total is the provision for the organisational restructuring (see note 22 Provisions). For individual amounts payable to senior officers, see note 38 Officers' Remuneration.

41. Pooled Budgets

In the seventh year of the Section 75 agreement under of the National Health Service Act 2006 the Pooled Budget again seeks to exploit the benefits of Health Act Flexibilities by means of integrated provision and lead commissioning. The budget is a means to enhance partnership working under the governance of the West Sussex Partnership Board, merging financial resources between the Primary Care Trust and the County Council.

WSCC POOLED FUND MEMORANDUM ACCOUNT for the period 01/04/10 to 31/03/11

Learning Difficulty Partnership Agreement						2009-10
Gross Funding	Cash	Staff	Other	Grant	**TOTAL**	TOTAL
	£	£	£	£	**£**	£
	000's	000's	000's	000's	**000's**	000's
West Sussex County Council	32,808	9,196	0	805	**42,809**	42,719
NHS West Sussex	29,773	0	3,498	638	**33,909**	33,260
Total Funding (a)	**62,581**	**9,196**	**3,498**	**1,443**	**76,718**	**75,979**
Expenditure	Cash	Staff	Other	Grant		
Independent Sector	30,218	0	0	452	**30,670**	30,264
Community Support	3,696	0	0	8	**3,704**	3,198
Supported Living	20,606	0	0	396	**21,002**	14,171
Other Commissioned Services	1,119	0	0	587	**1,706**	1,582
WSCC In - House Services	1,591	9,196	0	0	**10,787**	11,067
SP Trust	5,351	0	0	0	**5,351**	11,718
Section 28a	0	0	3,498	0	**3,498**	3,979
Total Expenditure (b)	**62,581**	**9,196**	**3,498**	**1,443**	**76,718**	**75,979**
Net underspend / overspend (a) - (b)	**0**	**0**	**0**	**0**	**0**	**0**

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Telecare Services Partnership Agreement

The NHS and the County Council have agreed to enter into a Partnership Arrangement under section 75 of the National Health Services Act 2006 for the purpose of maintaining an integrated service for the commissioning of technological strategies in health, social care and housing services and to maintain a Pooled Fund combining their respective financial commitments for the commissioning of such services.

WSCC POOLED FUND MEMORANDUM ACCOUNT for the period 01/04/10 to 31/03/11

						2009-10
Gross Funding	Cash £'000	Staff £'000	Other £'000	Grant £'000	**TOTAL** £'000	TOTAL £'000
West Sussex Community PCT	49	0	0	0	**49**	0
West Sussex County Council	114	0	0	0	**114**	0
Total Funding (a)	163	0	0	0	**163**	0
Expenditure						
Mobile Response	35	0	0	0	**35**	0
Installation & Monitoring	127	0	0	0	**127**	0
Administration	1	0	0	0	**1**	0
Total Expenditure (b)	163	0	0	0	**163**	0
Net underspend / overspend (a) - (b)	**0**	**0**	**0**	**0**	**0**	**0**

Community Equipment Partnership Agreement

This is the fifth year of the Section 75 agreement under of the National Health Service Act 2006 for the West Sussex Community Equipment Service, which seeks to exploit the benefits of Health Act flexibilities by means of an integrated provision through the external contractor Nottingham Rehab Supplies. The budget is a means to enhance partnership working under the governance of the West Sussex Partnership Board, merging financial resources between the Primary Care Trust and the County Council.

WSCC POOLED FUND MEMORANDUM ACCOUNT for the period 01/04/10 to 31/03/11

Community Equipment Partnership Agreement

						2009-10
Gross Funding	Cash £'000	Staff £'000	Other £'000	Grant £'000	**TOTAL** £'000	TOTAL £'000
Sussex Community NHS Trust	3,862	83	0	0	**3,945**	3,977
West Sussex County Council	2,404	48	0	0	**2,452**	2,159
Total Funding (a)	6,266	131	0	0	**6,397**	**6,136**
Expenditure	Cash	Staff	Other	Grant		
Management Fee	2,361	0	0	0	**2,361**	2,194
Equipment	3,605	0	0	0	**3,605**	3,671
Delivery/Collection	300	0	0	0	**300**	147
Implementation	0	0	0	0	**0**	0
Administration	0	131	0	0	**131**	124
Total Expenditure (b)	6,266	131	0	0	**6,397**	**6,136**
Net underspend / overspend (a) - (b)	**0**	**0**	**0**	**0**	**0**	**0**

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42. Related Parties

The Authority is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Authority.

<u>Central Government</u>

Central government has effective control over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 37 on reporting for resources allocation decisions and in note 22 above.

<u>Members</u>

Members of the council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2010/11 is shown in Note 35. A survey of the related party interests of Members and their immediate family members was carried out in preparing this Statement of Accounts. The following interest was declared:

Richard Burrett is a member of the Management and Executive Committees of South-East Employers and a Director & Trustee of Crawley Open House (also serving as Deputy Chairman of the Trustees). Transactions with South East Employers totalled £28,702 and with Crawley Open House, £406,176.

<u>Officers</u>

A survey of the related party interests of Senior Officers and their immediate family members was carried out in preparing this Statement of Accounts. No interests were declared.

<u>Littlehampton Harbour Board</u>

Under the West Sussex County Council Act 1972, West Sussex County Council and Arun District Council (ADC) each appoint four members to the Littlehampton Harbour Board (LHB). The Act provides that the Harbour Board should meet its expenses from receipts but that any deficiency is made good from its own internal reserve fund and a precept, shared equally, on the County Council and ADC. During 2010/11 the precept on the County Council was £0.095m.

Mental Health Pooled Budget

<u>MH POOLED FUND MEMORANDUM ACCOUNT</u>
<u>for the period 01/04/10 to 31/03/11</u>

<u>Mental Health</u>	Cash	Staff	Other	Grant	**TOTAL**		**2008-09 TOTAL**
	£ 000's	£ 000's	£ 000's	£ 000's	**£ 000's**		**£ 000's**
Gross Funding							
West Sussex County Council	9,108	0	0	0	9,108		9,154
NHS West Sussex	73,074				73,074		70,310
Total Funding (a)	82,182	0	0	0	82,182	(a)	**79,464**
Expenditure							
West Sussex County Council	6,325	0	0	0	**6,325**		4,282
NHS	66,470	233	0	0	**66,703**		64,983
NON-NHS	6,758	0	0	0	**6,758**		6,661
Total Funding (a)	79,553	233	0	0	**79,786**	(b)	**75,926**
Net underspend / overspend (a) - (b)					**2,396**		

West Sussex share of underspend is £0.212m.

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43. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

2009/10		2010/11
£000		£000
-3,279	Interest received	-1,775
19,161	Interest paid	19,812
0	Dividends received	0
15,882		**18,037**

44. Cash Flow Statement – Investing Activities

2009/10		2010/11
£000		£000
115,327	Purchase of property, plant and equipment, investment property and intangible assets	160,239
-107,561	Net position of short-term and long-term investments	-74,603
-4,115	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-9,613
-66,143	Other receipts: Capital grants and contributions	-82,215
-62,492	**Net cash flows from investing activities**	**-6,192**

45. Cash Flow Statement – Financing Activities

2009/10		2010/11
£000		£000
0	Cash receipts of short and long term borrowing	0
0	Other receipts from financing activities	0
-14,190	Repayments of short and long term borrowing	-3,180
0	Other payments for financing activities	0
-14,190	**Net cash flows from financing activities**	**-3,180**

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46. Accounting Policies

General Principles and Concepts

The Statement of Accounts summarises the Authority's transactions for the 2010/11 financial year and its position at the year-end of 31 March 2011. The Authority is required to prepare an annual Statement of Accounts in accordance with proper accounting practices by the Accounts and Audit Regulations 2003.

These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 and the Best Value Accounting Code of Practice 2010/11, supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. The County Council has followed these practices except where stated otherwise. The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The Code prescribes the accounting treatment and disclosures for all normal transactions of a local authority, and is based on the following hierarchy of standards (paragraph 1.1.6):

- International Financial Reporting Standards (IFRSs) as adopted by the European Union (i.e. EU-adopted IFRS)
- International Public Sector Accounting Standards (IPSASs)
- UK Generally Accepted Accounting Practice (GAAP) Financial Reporting Standards (FRSs)
- Statements of Standard Accounting Practice (SSAPs) and Urgent Issues Task Force (UITF) Abstracts.

International Accounting Standards (IASs) were issued by the International Accounting Standards Committee (IASC) from 1973 to 2001, while the International Accounting Standards Board (IASB) from 2001 issued the International Financial Accounting Standards (IFRSs). The IASB is in effect the successor of the IASC.

These are interpreted in the light of pronouncements by the IFRS Interpretations Committee (until recently known as the International Financial Reporting Interpretations Committee or IFRIC) and its predecessor, the Standing Interpretations Committee (SIC).

The Code requires that local authorities prepare their financial statements in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (the IASB Framework) as interpreted by the Code. The IASB Framework sets out the concepts that underlie the preparation and presentation of financial statements for external users of the accounts.

Paragraph 2.1.1.2 of the Code uses the sections of the IASB Framework as its reference when it states that in presenting the financial statements authorities shall have regard to the following:

- Objective of financial statements
- Underlying assumptions
- Qualitative characteristics of financial statements
- Elements of financial statements
- Recognition of the elements of financial statements
- Measurement of the elements of financial statements.

Qualitative characteristics are the attributes that make the information provided in the financial statements useful to users (IASB Framework, paragraph 24). The IASB Framework set out the four principal qualitative characteristics of financial statements that have been adopted by the Code:

- Understandability
- Relevance
- Reliability
- Comparability

The Code also includes consideration of materiality as a qualitative characteristic, although the Framework considers it as a subsidiary concept of relevance.

Property, Plant and Equipment

Assets held for the supply of services, or for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

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Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided it is above the Authority's de minimis threshold (see below). Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure, community assets and short-lived assets such as vehicles, plant and equipment – depreciated historical cost

- Assets under construction – current cost

- All other assets – fair value, determined as the amount that would be paid for the asset in its existing use

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost is used as an estimate of fair value. Assets valued below £10,000 have been excluded from the asset register. Exemptions are land, which is all included, and schools expenditure on Devolved Formula Capital Grant, which as per the West Sussex Scheme for Financing Schools has a de minimis of £2,000.

Four schools have formed academies; Midhurst Rother Valley, Shoreham, Sir Robert Woodard and Littlehampton. Although the Authority retains the freehold value of the land and short-term operating leases have been granted to enable the Academies access to the sites, under the Code, the building values are not shown on the balance sheet.

Schools that have taken on Trust status remain on the County's balance sheet as the balance of reward and risk of ownership remain with the County Council.

Assets included in the Balance Sheet at fair value are revalued as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to that Statement.)

Where decreases in value are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for as follows:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

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Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

<u>Depreciation</u>

Depreciation is provided for on all Property, Plant and Equipment assets. An exception is made for assets without a determinable finite useful life (i.e. freehold land and Community Assets) and assets that are not yet available for use (i.e. assets under construction). New assets will be depreciated from the 1st April of the year that follows the date of initial recognition.

Depreciation is calculated on the following bases:

- Buildings – straight line basis over a period of 35 years for existing buildings and 60 years for new builds

- Vehicles, plant, furniture and equipment – individual estimated useful life on a straight line basis

- Infrastructure – straight line basis over a period of 30 years for major projects & 15 years for structural maintenance of carriageways and bridges

Componentisation

An item of Property, Plant and Equipment will be considered a major component and will be depreciated separately provided:

- The carrying value of the component is above £500,000

- The cost of the component is significant in relation to the overall cost of the asset

- The component has a significantly different useful life and/or method of deprecation to the main asset

The de minimis of £500,000 will not apply to major plant and machinery i.e. lifts and boilers where normal capitalisation limits will apply.

Any Revaluation Reserve balances associated with componentised assets will be attributed to the building component(s) as it is considered unlikely that plant and equipment components will give rise to revaluation gains and losses independently of the structure of the building.

Disposals and Non-current Assets held for Sale

Surplus assets are subject to formal reporting requirements declaring the asset surplus and a surplus declaration date of 1st April will be applied irrespective of the date of the actual report.

An asset will be subsequently classified as held for sale at the end of the financial year provided it has been officially declared surplus through cabinet member decision and it complies with the following qualification criteria outlined within IFRS 5:

- The asset will available for immediate sale

- Sale of the asset is highly probable

- The sale will be actively marketed

- The sale is expected to be completed within one year of classification

The asset will be revalued immediately before being reclassified as an Asset held for Sale and then carried at the lower of this amount and fair value less costs to sale. Depreciation is not charged on Assets held for Sale.

Should the period required to complete the sale extend beyond one year, the asset will continue to be classed as an Asset held for Sale provided the asset is still being actively marketed and the delay in completion is due to circumstances beyond the control of the Authority, for example:

- Economic downturn
- Buyer/Third party conditions of sale

If an asset no longer meets the criteria to be classified as Assets held for Sale, it will be reclassified back to non-current assets and valued at the lower of the carrying amount before it was classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had it not been classified as Held for Sale, and the recoverable amount at the date of the decision not to sell.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts, amounts below this will be charged to revenue.

Statutory arrangements allow costs of disposals to be financed by capital receipts, capped to 4% of the capital receipt. Costs incurred prior to the sale will be carried forward and offset in the year of disposal.

Investment Property

Investment properties are assets that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods or is held for sale. In 1983 the Authority undertook a long-term policy for the gradual disposal of the smallholdings estate.

Smallholdings with tenancy agreements post 1983 are now classified as Investment Properties because they are being hold solely to earn rentals; assets relating to rescinded highways schemes are also shown under this category.

Investment properties are measured initially at cost and subsequently at fair value. Properties are not depreciated but are revalued annually according to market conditions at the year-end. Gains or losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance.

The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment account and (for any sales greater than £10,000) the Capital Receipts Reserve.

Charges to Revenue

Services are debited with the following amounts to record the cost of holding fixed assets during the year:

- Depreciation attributable to the assets used by the relevant service
- Revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- Amortisation of intangible assets attributable to the service.

The Authority is also required to make an annual contribution from revenue to repay long-term borrowing – MRP (Minimum Revenue Provision). The method of calculating MRP has been based upon Regulations 28/29 of the Local Authorities (Capital Finance and Accounting) (Amendment) Regulations (CFR) 2008. Option 2 has been applied to historical and supported borrowing on the basis of 4% of the CFR and option 3 has been applied to unsupported borrowing which provides MRP on the basis of equal instalments across the life of the asset.

MRP – Finance Lease and PFI

In line with DCLG regulations to mitigate the impact of the move to IFRS on the Council's revenue account, it is the policy of West Sussex County Council to make an annual MRP charge equal to the portion of the payment taken to the balance sheet to reduce the liability.

Intangible Fixed Assets

Intangible fixed assets included in the balance sheet are capitalised at cost and represent the rights to use software licences over a period of more than 12 months. In 2010/11 the County Council held assets to the value of £2.01m. Intangible assets are amortised over their useful life to the relevant service line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Government grants and third party contributions and donations are recognised as due to the Authority where there is reasonable assurance that:

- The Authority will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve.

Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have applied to fund capital expenditure.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The Authority as Lessee

Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the beginning of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Authority are added to the carrying amount of the asset.

Premiums paid on entry into a lease are applied to writing down the lease liability. Contingent rents are charged as expenses in the periods in which they are incurred.

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Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment – applied to write down the lease liability, and

- A finance charge (debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Property, Plant and Equipment recognised under finance leases is accounted for using the policies applied generally to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the authority at the end of the lease period).

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment.

<u>The Authority as Lessor</u>

Finance Leases

Where the Authority leases an asset out on a finance lease, the existing asset of property, plant or equipment is written out of the Balance Sheet as a disposal and a long-term debtor representing the Authority's net investment in the lease is recognised instead.

As a disposal, the writing out of the asset and the recognition of the long-term debtor is accounted for as part of the gain or loss on disposal of non-current assets in the Comprehensive Income and Expenditure Statement with the debtor representing the sale proceeds.

Under statute, the gain credited to the Comprehensive Income and Expenditure Statement is reversed out of the General Fund balance and posted to the Deferred Capital Receipts reserve in the Movement in Reserves Statement.

Leased payments received are apportioned as follows and transferred from Deferred Capital Receipts to the Capital Receipts Reserve:

- A charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and

- Finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

Operating Leases

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet and rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

<u>IFRS Transitional Rules</u>

In accordance with regulations issued upon the implementation of IFRS, amounts receivable under leases that changed from operating leases to finance leases (or vice versa), will be accounted for as if the status of the lease had not changed, in that:

- Amounts receivable under operating leases that became finance leases on transition to IFRS will continue to be credited to the General Fund balance as revenue income

- Amounts receivable for principal payments under finance leases that became operating leases on transition to IFRS will continue to be treated as capital receipts.

In both cases, the leases will be accounted for in accordance with the current provisions of the Code, with any adjustments to the General Fund balance being made in the Movement in Reserves Statement.

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Private Finance Initiative (PFI) and Similar Contracts

PFI and similar contracts are agreements to receive services, where the responsibility for making available the property, plant and equipment needed to provide the services passes to the PFI contractor. As the Authority is deemed to control the services that are provided under its PFI schemes, and as ownership of the property, plant and equipment will pass to the Authority at the end of the contracts for no additional charge, the Authority carries the assets used under the contracts on its Balance Sheet as part of Property, Plant and Equipment.

As at 31st March 2011 the Authority has three PFI schemes on Balance Sheet - Crawley Schools, Recycling and Waste Handling and Street Lighting.

The original recognition of these assets at fair value was balanced by the recognition of a liability for amounts due to the scheme operator to pay for the capital investment.

Non-current assets recognised on the Balance Sheet are revalued and depreciated in the same way as property, plant and equipment owned by the Authority.

The amounts payable to the PFI operators each year are analysed into five elements:

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for the property arising during the contract, debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payments towards liability – applied to write down the Balance Sheet liability towards the PFI operator

- Lifecycle replacement costs – proportion of the amounts payable is posted to the Balance Sheet as a prepayment and then recognised as additions to Property, Plant and Equipment when the relevant works are eventually carried out.

Revenue Expenditure Funded from Capital under Statute (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year.

Where the Authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax (see note 7 on capital expenditure and financing).

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet (subject to materiality).

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- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Application Note G of FRS 5 *Reporting the Substance of Transactions* on *Revenue Recognition* sets out the basic principles regarding the recognition and measurement of revenue. The revenue accounts are maintained on an accruals basis in accordance with the Code of Practice.

This means that the accounts are prepared on the basis of income becoming due and expenditure becoming payable in the financial year to 31 March 2011. The cost of supplies and services should be accrued and accounted for in the period during which they were consumed or received. Accrual should be made for all material sums unpaid at the year-end for goods or services received or work completed.

Payments to creditors processed by 1 April 2011 which related to the year 2010/11 have been included in the accounts together with further amounts due for goods and services provided up to 31 March 2011, with a normal de minimis of £10,000, as opposed to £1,000 in 2009/10. Sundry debtors have been raised in respect of outstanding income.

Under local management, the accounts for schools have been closed down at a slightly earlier date. These accounts have been closed prior to the full reconciliation of individual school accounts with the result that creditors, debtors and schools reserves are shown on an estimated basis. The difference is not material.

There are some exceptions to the accruals basis in the statement of accounts. Examples include parental contributions for the maintenance of children in care where no debtors have been raised. This is a consistent policy applied each year.

Capital expenditure is also recorded and financed on a cash basis but accruals totalling £7.8m have been included in property, plant and equipment shown in the balance sheet in accordance with capital accounting requirements. Payments in advance, which include PFI payments to contractors, and receipts in advance, are shown separately in the balance sheet.

An examination of debtors outstanding at 31 March 2011 has been made and, having regard to specific items relating to highways where the debt may not be recovered, a provision has been included under provision for doubtful debts. This includes a provision for general doubtful debts, which is reviewed annually.

Inventories

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. For West Sussex all inventories that are recorded in the Balance Sheet are valued at cost. The cost of inventories is assigned using the FIFO and weighted average costing formula, where applicable. Inventories not shown on the Balance Sheet are charged to the revenue account in the year of purchase.

Costs of Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best Value Accounting Code of Practice 2010/11 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multifunctional, democratic organisation.

- Non-Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses chargeable on Assets Held for Sale.

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These two cost categories are defined in BVACOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services. The bases of allocations used for recharges to services are:

Chief Executive
- Charged to Corporate and Democratic Core

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Executive Director Finance and Performance's Group
Executive Director Finance and Performance
- Charged to Corporate and Democratic Core
Remaining services
charged to front line services on basis of gross expenditure or headcount

Business Services Group
- charged to front line services on basis of gross expenditure or headcount

Graphic Design, printing and supplies provided centrally are operated on a fully chargeable basis and recover their costs by direct charges to clients. The costs of the Corporate and Democratic Core amount to £15.6m.

Reserves

The County Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, retirement and employee benefits and do not represent usable resources for the Authority – these reserves are explained in the relevant policies.

The County Council maintains a reserve for financing capital expenditure on County services, a Special Revenue Reserve to meet issues arising from the uncertainties of the local government finance settlement and a working balance to meet day-to-day requirements on the revenue account. In addition an Interest Account Reserve has been set up to protect revenue budgets from persistently low interest rates in and from 2010/11.

Schools reserves represent the net cumulative underspending on locally managed budgets at 31 March 2011. These balances are available for use by individual schools up to the amount which each has contributed.

The Highways on-street parking account shows the surplus arising from the operation of charged on-street parking schemes. The County Council, or other local authorities within West Sussex, may use the balance to finance deficits on the parking account, and then to meet all or part of the cost of the provision and maintenance of off-street parking, as well as subsidies for Public Transport. Details of these accounts and other earmarked reserves can be found in disclosure note 3.

Provisions

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. For instance, the Authority may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required settling the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Main provisions include where the County Council self-fund significant elements of risk whilst retaining external insurance for major risks and some specific areas. An insurance provision is maintained which receives contributions from premiums charged to services, meets the cost of claims and attracts interest on the balance. The balance of £10.9m represents the estimated value of outstanding claims. Details of these accounts and their purpose are shown in disclosure note. Where the obligation is within a 12-month period these are classed as short-term provisions on the balance sheet.

Organisational restructure - (short-term provision)

West Sussex County Council is currently undertaking an organisation-wide restructuring programme. The financial statements include a provision for costs associated with this programme. This follows Section 8.2 of the CIPFA Code of Practice on Local Authority accounting, which states “Authorities shall account for provisions, contingent liabilities and contingent assets in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets”.

In addition, International Accounting Standard (IAS) 37 “Provisions, Contingent Liabilities and Contingent Assets” identifies restructuring as a specific application in which a provision may be made (ref IN10).

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. For 2010/11 where are contingent liabilities exist these will be detailed in the notes to the accounts.

Financial Instruments

In line with the introduction of Financial Reporting Standards 25, 26 & 29, Financial Liabilities and Financial Assets are recognised on the County Council's Balance Sheet when the County Council becomes a party to contractual provisions of the financial instrument.

a) Financial Liabilities:

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

The effective interest rate is the rate, that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised. For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

b) Financial Assets

Financial assets are classified into two types:

- Loans and receivables – assets that have fixed or determinable payments but are not quoted in an active market
- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

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Loans and Receivables:

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Available for Sale:

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the instrument.

Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following principles:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis
- Equity shares with no quoted market prices – independent appraisal of company valuations.

Note 10 presents the accounting for financial instruments with disclosure pertinent to the scope, significance and risk of financial instruments held by the County Council.

c) Soft Loans

A soft loan is a loan (made to a voluntary organisation) issued at a below market rate. The code states that de minimis principles can be applied to soft loans. For the purposes of the Statement of Accounts, it might not be necessary to apply the detailed accounting treatment where only a low value of such advances have been made and/or there has not been significant discounting of interest rates.

With this principle in mind, the County Council has decided to treat soft loans below £500,000 in value as de minimis. For 2010/11 any soft loans transactions have fallen below this de minimis level and thus, there are no accounting entries in the Statement of Accounts.

Financial Instrument Impairment

The County Council held £12.9m with Heritable Bank when it was taken into administration in October 2008. The potential loss arising from this was accounted for in the Income and Expenditure Account in 2008/09. The anticipated cash loss was £2.6m, based on a recovery of 80% of the principal sum outstanding. This is subject to ongoing review, but based on the administrator's statutory report to creditors, is still considered to be appropriate. As a result there is no further charge shown in the Comprehensive Income and Expenditure Statement.

Cash and Cash Equivalents

In the Balance Sheet cash is represented by cash in hand and cash equivalents are deposits with financial institutions repayable without penalty on notice of not more than 24 hours from date of acquisition. In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

Internal Interest

Interest is not credited to internal funds as treasury management receipts are treated as a corporate resource. The only exception is where it is good practice or regulatory requirement to pay interest, for instance schools' balances.

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Value Added Tax

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

Precept Income and Collection Fund

Precept

Council tax income for the year is included at the figure precepted on district and borough councils' collection funds and is not subject to revision. Payments have also been received or made relating to the surpluses or deficits on district council collection funds as at 31 March 2011.

Collection Fund

Up to 2008/09, the SoRP required the Council Tax income included in the Income and Expenditure Account to be the amount that under regulation was paid from the Collection Funds of the billing authorities to the County Council. From the year commencing 1 April 2009, the SoRP required (and the Code of Practice now requires) that the Council Tax income included in the Income and Expenditure Account be the accrued income for the year.

The collection of Council Tax is in substance an agency arrangement. The Code requires that the County Council recognise on its Balance Sheet its share of the Council Tax Arrears, Impairment Allowance for Doubtful Debts, Council Tax Overpayments and Prepayments and Collection Fund Surplus/Deficit.

In addition, there is a debtor/creditor relationship between the County Council and its billing authorities, as the net cash paid to the County Council is not equal to its share of cash collected from Council Tax payers.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Authority.

An accrual is made for the cost of holiday entitlements (or any form of leave, e.g. time off in lieu) earned by employees but not taken before the year-end, which employees can carry forward into the next financial year.

The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Comprehensive Income and Expenditure Statement when the Authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Pensions

The County Council participates in three pension schemes, which meet the needs of employees in particular services. All the schemes provide members with defined benefits related to pay and service.

The schemes are as follows:

Teachers:

This is an unfunded scheme administered by the Department for Children, Schools and Families. The pension cost charged to the accounts is the contribution rate set by the Department on the basis of a notional fund.

Uniformed firefighters:

This is an unfunded scheme administered by the Department of Communities and Local Government. The pension cost charge to the accounts represents the contribution rate set by the Department.

Other employees:

Other employees, subject to certain qualifying criteria, are eligible to join the local government pension scheme. The pension costs that are charged to the council's accounts in respect of these employees are paid to the funded pension scheme. Further costs arise in respect of certain pensions paid to retired employees on an unfunded basis.

The pension costs included in the accounts in respect of all these schemes have been determined in accordance with relevant government regulations. In accordance with the code, the County Council complies in full with the accounting requirements of IAS19, "Retirement Benefits". As a result, quoted securities held as assets in the Local Government defined benefit pension scheme are now valued at bid price rather than mid-market value.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are appropriations to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows, rather than as benefits earned by employees.

Senior Officer Remuneration

The Code contains requirements for the disclosure of the remuneration of higher paid officers. However, these requirements are derived from (and supplemented by) the overarching requirements of the Accounts and Audit Regulations:

- For England – regulation 7 of the Accounts and Audit Regulations 2003 (SI 2003 No 533), as amended by SI 2009 No 3322

There are two related disclosures required by the regulations:

- Figures for the number of officers whose remuneration was £50,000 or more, grouped in £5,000 bands (starting at £50,000)

- The individual remuneration of senior employees.

Disclosure of senior officers remuneration on an accruals basis rather than a cash basis is in line with the definition of remuneration set out in Reg. 7(2A) of the Accounts and Audit Regulations 2003, as amended where it states that it means "all amounts paid to or receivable by a person..."

In terms of the detail of the disclosure, the Regulations are silent on the detail required for the comparator. Provided that the disclosed information over the various categories set out in Reg. 7(2)(d), the fallback for guidance on the level of detail for comparators is the Local Authority SORP. Paragraph 5.9 requires comparators for all items in the Statement of Accounts and notes. Common practice is to disclose a single comparator where the current year discloses an analysis supporting a total figure. Therefore, a single column for the comparator meets the requirement of the Regulations.

The disclosure of remuneration by category must be made by reference to individuals, with the following proviso:

- Where the senior employee or relevant police officer's salary is £150,000 or more per year, they must be identified by name and job title

- Where the senior employee's salary is less than £150,000, only their job title should be disclosed.

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47. Critical Judgements in applying Accounting Policies

In applying the accounting policies set out in Note 46, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

Robustness of Estimates and Adequacy of Reserves

Section 25 of the Local Government Act 2003 requires Chief Financial Officers to report to their authorities about the robustness of estimates and the adequacy of reserves when determining their precepts and authorities are required to consider their Chief Financial Officers' reports when setting precepts.

This business planning process, and the resulting budget and objectives, must be seen the context of the greatest exercise of fiscal consolidation in recent times. The settlement for local government, and for this council, must be seen in the context of an overall reduction in funding for its public sector partners and low economic growth following a general recession. Forecasts for future economic growth show a steady but slow and shallow recovery. The Council will not see an improvement in its funding position from central government at all in the medium term, and may continue to suffer under the current grants system. The administration has set out its policy of affordable rises in council tax, linked as close as possible to the changes in the cost of living after 2011/12.

The business planning process began in the summer of 2010 and culminates with the approval of the budget by the County Council on 11 February 2011. All members were invited to be part of setting out what the real priorities of the council were—not just areas of service that should be protected from reductions in spending but also where and in what way services would be reduced, stopped or provided differently.

The greatest financial risks to the medium term financial plan are the delivery of around £75m to £80m of savings, with the greater part in 2011/12. This should be seen in the context that the savings target for 2010/11 was £22m.

Second to that is the cost of funding the changes required to bring about the savings and the one-off costs, redundancy actuarial strain etc, of staff leaving the Council.

The Special Revenue Reserve, a base revenue provision of £7.2m, will be the first source of funding for the one-off costs of change. It is intended to mitigate the following risks:

- Further reductions in formula grant in the 2012/13 settlement and beyond
- volatility on the council tax Collection Fund administered by the district and borough councils
- delays in implementing savings which, while robust, may not be generated from 1 April
- potential non-delivery of budgeted savings
- management of capital financing risks given ongoing low levels of capital receipts
- potential outturn overspending in 2010/11 given the inability of the General Fund to absorb this.

The General Fund, at an estimated £16.8m at 31st March 2011, will be an estimated 3.3% of the net revenue spend. This is an appropriate source of funding for one-off costs of staff leaving employment. The administration has been clear that base revenue spend will not be financed from reserves.

The Modernisation Fund, a balance sheet provision, at £6m should be adequate to fund the business change and project resources necessary to deliver the required savings. This is alongside the base revenue budgets to support the change programme.

The general contingency of £6.7m is to cover both external risks such as severe winter weather, and savings not delivered within the financial year. Such a sum is, at best, barely adequate on its own. Its adequacy increases when seen in the context of the estimated £16.8m in general reserves as at 31st March. However, some of this may be required in the medium term for redundancies and actuarial strain.

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There are financial risks that relate in particular to the Children & Families and Education & Schools portfolios. These are our share of the cuts to core grant to cover LACSEG funding for new academies; resources to fund the improvements required from the OFSTED Inspection; funding for the first year of the 'Think Family Initiative'. A specific revenue contingency of £3.9m is set aside to ensure that the robustness of plans to cover theses areas.

The robustness of estimates for Adult Social care, and the pressures that will come from the relentless demographic changes, have to be seen in the context of the additional monies available through joint working with the PCT/NHS.

The overall revenue estimates are robust. The Council's strong track record in budget management give confidence that the greatest risk facing the financial stability of the council, the delivery of £36.9m of savings will be managed. Other risks to be managed are:

- volatility on the council tax Collection Fund administered by the district and borough councils
- management of capital financing risks given ongoing low levels of capital receipts
- the Bank of England base interest rate, estimated to be in the average range of 0.75%—1.00% for the purposes of budget setting
- underlying inflation rates, provided at 2.5% of net expenditure on goods and services

In this context the level of reserves is considered adequate. This judgement is underpinned by the following assumptions:

- That the overall revenue budget does not overspend in the next three years
- There is no outturn overspending in 2010/11
- The current numbers of staff and average cost of leaving is as planned
- The forecast Bank of England base rate is accurate

48. Events after the Balance Sheet date

There are no events occurring after the balance sheet date that have affected the Statement of Accounts in 2010/2011.

49. Contingent Liabilities

There are several possible liabilities relating to the following:

1. Gradually occurring pollution at a former landfill site. The potential liability arising from the Independent Insurance Company's failure to enter into a scheme of arrangement with its creditors will continue but is difficult to quantify.

   This relates to possible future claims by third parties and or employees relating to incidents between September 1992 and September 2000. All claims, which have been made to date, have been disposed of but a continuing risk of future claims continues on a reducing basis and this reducing risk has continued for 2010/2011.
2. Appeal court ruling - Warnham accident, relating to an accident in the Warnham area on a roadside grass verge.
3. WSCC v Amberley (UK) Ltd in respect of a court case relating to Amberley House.

50. Contingent Assets

West Sussex County Council have no possible contingent Assets for 2010/2011.

51. Assumptions made about the future and other major sources of estimation uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Authority about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

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The items in the Authority's Balance Sheet at 31 March 2011 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Sensitivity Analysis – Pension Defined Schemes

IAS1 requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in financial assumptions for the year ended 31 Mar 2011:	Approximate % increase to Employer Liability	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	10%	18,481
1 year increase in member life expectancy	3%	6,066
0.5% increase in the Salary Increase Rate	1%	2,738
0.5% increase in the Pensions Increase Rate (CPI)	8%	15,420

Sensitivity Analysis – Restructure

In recent years the County Council has been restructuring and reducing its staffing numbers as a result. This programme will continue in 2011/12 with associated severance costs. Funding has been set aside in the Service Transformation Reserve for this purpose, based on assumptions about the approximate number of staff being made redundant. The table below sets out the sensitivity of these assumptions:

Change in financial assumptions for the year ended 31 Mar 2011:	Approximate % increase/decrease in restructure costs	Approximate monetary amount £000
1.0% lower cost than expected from the County Council restructure	-1.0%	- 75
0.5% lower cost than expected from the County Council restructure	-0.5%	-38
0.5% higher cost than expected from the County Council restructure	0.5%	38
1.0% higher cost than expected from the County Council restructure	1.0%	75
1.5% higher cost than expected from the County Council restructure	1.5%	113
2.0% higher cost than expected from the County Council restructure	2.0%	151

52. Accounting Standards that have been issued but have not yet been adopted

HERITAGE ASSETS: IMPACT OF THE ADOPTION OF THE NEW STANDARD ON THE FINANCIAL STATEMENTS - EFFECTIVE FOR THE 2011/2012 FINANCIAL YEAR

The Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 (the Code) has introduced a change in accounting policy in relation to the treatment of heritage assets held by the Authority, which will need to be adopted fully by the authority in the 2011/12 financial statements. Heritage assets are assets that are held by the authority principally for their contribution to knowledge or culture. The heritage assets held by the authority are the collections of assets and artefacts either exhibited or stored in the local authority museum or equivalent place of interest.

Appendix C to the 2011/12 Code confirms that the adoption of FRS 30 Heritage Assets in the 2011/12 Code will require disclosure in accordance with paragraph 3.3.4.3 of the Code in the 2010/11 financial statements of local authorities in the UK. The authority is required to disclose information relating to the impact of the accounting change on the financial statements as a result of the adoption by the Code of a new standard that been issued, but is not yet required to be adopted by the Authority, in this case, heritage assets. As is set out above, full adoption of the standard will be required for the 2011/12 financial statements.

However, the Authority is required to make disclosure of the estimated effect of the new standard in these (2010/11) financial statements. The new standard will require that a new class of asset, heritage assets, is disclosed separately on the face of the Authority's Balance Sheet in the 2011/12 financial statements. The County have ascertained that there would be no material changes to the Statement of Accounts as a result of the Adoption of Heritage Assets.

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53. Firefighters' Pension Fund Account

2009/10 £'000	2009/10 £'000		2010/11 £'000	2010/11 £'000
		Contributions receivable		
	1,412	Employees		1,376
		Employers		
2,565		Normal	2,495	
1	2,566	Early Retirements	0	2,495
	351	Transfer values from employers of contributors joining the fund		28
	108	Charges in respect of ill-health early retirements		108
	4,437			4,007
		Benefits payable		
	5,215	Pensions		5,508
		Lump sum benefits		
1,574		Commutations	885	
4		Lump sum retirement benefits	2	
0	1,578	Death benefits	0	887
		Payments to and on account of leavers:		
	2	Transfer values to employers of contributors leaving the fund		0
	0	Refunds of contributions		0
	6,795			6,395
	2,358	Net amount payable/receivable for the year before top up grant/amount payable to the DCLG		**2,388**
	1,784	Top up grant received from CLG		**2,050**
	574	Top up grant receivable from CLG		**338**
	0	Net amount payable/receivable for the year		**0**

Net Assets Statement

At 31 March 2010 £'000		**At 31 March 2011 £'000**
	Current Assets	
574	Pension top up grant receivable from CLG in respect of 2010/11	338
0	Payments in advance	0
0	Cash	0
574		338
	less: Current Liabilities	
480	Cash overdrawn	338
94	Pension top up grant payable to CLG in respect of 2007/08	0
0	**Net assets - balance of fund**	0

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